No. 29.622

Moro Reported Resigned to Die In Letter to Wife

Premier Alda Maro, apparently resigned to being murdered by his ierrarisi kidnappers, has written a farewell letter to his wife and their children, it was disclosed today.' Meanwhile, the police said that they arrested three more suspects in their search for Mr. Moro.

State radio, television and newspapers reported that Mr. Moro's Red Brigades kidnappers allowed him to write a final note before their amhiguous announcement late last week that "we are conclud-ing the hattle begun March 16 by executing the sentence passed on

Earlier in Mr. Moro's 52 days of

Jerusalem Hit By Rocket Blast, First Since '76

JERUSALEM. May 7 (AP)— Yasser Arafat's Palestinian guerril-las claimed responsibility today for the first rocket attack on Jerusalem since 1976, and said it was timed to coincide with this week's 30th anniversary of Israeli independence.

Authorities here said that one woman was injured in the explosion of a single Soviet-made Katyusha nocket. The Palestine Liberation Organization in Beirut said that several persons were killed or injored in a "heavy rocket attack" and Israeli government hoildings were damaged

ft was the first time in two years that Arah guerrillas had fired on the city. Independence day celebrations have been traditional targets. for Arah ternirism, and Israeli police and civilians were in the alera against possible attacks.

Israeli authorities said that the woman was cul by flying glass when the rocket exploded in the court yard of an apartment house

would be put to death unless 13 of their jailed terrorist comrades were

their juiled terrorist comrades were released.

The Milan newspaper Corriere Della Sera reported that friends of Mr. Moro's family, who saw his farewell message described it as "hearthreaking." Rome's conservative II Tempo said it began: "Dear Norina [his affectionate name for his wife. Eleonora]. They have told me they are going to kill me shortme they are going to kill me short-ly. I kiss you for the last ome. Kiss the children."

Flat Rejection

Il Tempo said that another phrase in the brief, handwritten note said: "If the government had wanted to, it could have," a refer-ence to the flat rejection of the terrurists' demands.

rurists demands.

Il Tempo said that the farewell letter, unlike earlier hitter messages begging or demanding that he he saved, nu longer mentioned an exchange, as if he were resigned to he force.

his fate It said that Mr. Moro's 28-year-old daughter. Anna, a doctor, picked op the letter in a public relephone booth and brought it to her

The leftist Rome newspaper La Repubblica said that the Moro letter, received just before the kidnappers' annuncement that they were killing their victim, caused Mrs. Moro to telephone Italian President Giovanni Leone, vainly entreating him to release one of the

The three new arrests in the cnntinoing hont for Mr. Moro by 50,000 pulice and troops took place today after hundreds of law officers raided homes in the north of Rame and notlying areas.

The woman and two men seized today joined 23 persons arrested vesterday in a wide sweep in central Italy in prison awaiting interrogation hy an examining magistrate. Police said that those arrested (Continued on Page 2, Col. 4)



Leonid Brezhnev hangs onto his hat in wind at Hamburg airport during the ceremony before the Soviet leader's return to Moscow yesterday. West German Chancellor Helmut Schmidt is at left.

Byrd Reports Legislative Compromise

Accord Seen on Mideast Planes

By Bill Drummund

WASHINGTON, May 7-Senate Majority Leader Rubert Byrd said yesterday that the outline of a comprumise had been worked out with the Carter administration to smooth passage through the Senate of the controversial sale of jet fighter planes to Israel, Saodi Arahia

The West Virginia Democrat said that the tentative compromise

• Require that the new F-15s for Saodi Arabia be ootfitted only for defensive operations.

 Place restrictions on where the Saudis could hase the planes.

 Provide for an expansion of the U.S. commitment to Israel after 1984, when the warplane transactions would be completed. Sen

The sources qouted a minister as

ca hecause no action was likely to

Karim stayed away from last December's OPEC conference in

Caracas, apparently to protest an

The Caracas conference ended

with no decision on prices - effec-

Byrd would not eomment on what borne targets. This presumably the new commitments might be, would limit the F-15 to defensive The first two elements deal with operations.

concerns critical to Israel, Although Saudi Arabia has declared for Egypt are considered no match that it wants the F-15s for defen- for Israeli warplanes and have not sive purposes only, the Israelis fear aroused the same opposition as the might be used against them. They want to insore that the planes are had shown continoing friendship toward the United States, moderational at the Saudi base at toward the United States, moderation. Tabok, which they consider uncom-furtably close to their border.

Key Element

The apparent key element of the tentative compromise is the provi-sion that the administration make what Sen. Byrd called "a commitment of strong sopport" in military supplies to Israel after 1984.

Sen. Byrd said at his weekly press conference that he had received indications from the State Department that the compromise was acceptable,

Official Israeli sources in Washington immediately expressed apposition. "We were not consulted about any possibility of compro-mise. Israel's pulicy, remains unchanged. We would like to see that the commitments made to Israel are fulfilled," an Israeli source said. "On the nther hand, we believe the sale of American warplanes to Arab countries constitutes a threat to the security of Israel and we would like to see the

decision reversed."

Sen. Byrd said he had talked yesterday with Sen. John Sparkman. D-Ala, chairman of the Senate Foreign Relations Committee, and asked him to delay action on the iet-sale proposal until Tuesday. when a gruop of senators is to hold a breakfast meeting with Secretary

of State Cyrus Vance. Under the law, rejection of the sales would require a majority vote on a disapproval motion by both House of Representatives and the Senate before a May 22 dead-

"I would hope there would be no disapproval resolution, but in the event the Senate is requested to vote on the issue. I would hope and believe that any disapproval motion would be rejected. he said.

Under the administration's \$4.8hillion sales proposal, Israel would receive 15 F-15 Eagle fighter planes — the world's most advanced, according to many military experts to add to its current stock of 25, and would also reeive 75 somewhat less suphisocated F-16s. Saudi Ara-hia, which has no F-15s, would receive 60.

According to press reports, the aircraft destined for the Saedis would lack bomb racks and would carry computer-directed radar that is programmed only to spot air-

By Robert C. Siner

WASHINGTON. May 7

tIHT)—There are indications that a bill to revise the taxation

of Americans abroad by replac-ing the current income exclosion

with special deductions may soon

to representatives of overseas chambers of commerce after a

week of comprehensive discussions with numerous members of

Cungress last week. The impres-

sion was later confirmed by con-

gressional sources.
In addition, Sieven Kraft, chairman of the Tax Committee

of the Swiss-American Chamber, and that during the meetings with key members and their aides, there was almost onanc-

mous support for the measure.

The bilt in question was an amended version of a measure

passed overwhelmingly by the House late last year and adopted

Feh. 3 hy the Senate Finance

That was the impression given

he brought before the Senate.

The 50 F-5E aircraft designated for Egypt are considered no match

tinn in the Middle East and general sopport for the U.S. positing in in-ternational economic affairs. To reject this sale would be to drive the Saodis to purchase their aircraft, elsewhere," he said.

ANKARA. May 7 (AP)-Torkey readjusted its currency against nine European currencies and the Cana-

against the Canadian dollar.

After Bonn Meetings

Brezhnev, Schmidt Sign 25-Year Pact

By John Vinocur

BONN, May 7 (NYT)—Soviet leader Leonid Brezhnev and Chan-cellor Helmut Schmidt linked the Soviet Union and West Germany, yesterday in a 25-year economic co-

operation agreement.

Mr. Schmidt described the agreement, despite misgivings of West
German industrial leaders, as a historic event marking great progress in East-West relations.

The agreement signed here by the two leaders on the third day of a four-day visit by Mr. Brezhnev. provides a framework for the devel-opment of commerce, industry and technology in an initial 10-year phase, renewable for three five-year

periods. Mr. Brezhnev and Mr. Schmidt also called, in a declaration, for disarmament measures. The Soviet Communist party leader and head of state said in a televised speech to the West German people that the issue of arms control was urgent and that "every day lost, every delay, can cost mankind - all of us

Informal Talks

[Mr. Brezhnev flew to Moscow today from Hamburg, where the Soviet leader had been a guest at Mr. Schmidt's home since the signing ceremony yesterday. The cere-monial send-off at the Hamburg airport was preceded by informat talks and a loncheon at the Chancellor's home that was also attended by Foreign Minister Hans-Dietrich Genscher, Defense Minister Hans Apel and Economics Minister Otto Lambsdorf.

[In a commonique released today after Mr. Brezhnev's 1.30 p.m. de-partore Mr. Brezhnev and Mr. Schmidt said they considered it ex-tremely important that the U.S.-Saviet talks on the limitation of strategic arms be successfol. They also said they expected the special din. disarmament conference later this month to promote progress in disarmament negotiations, according

Mr. Schmidt's enthusiasm for the economic agreement, conveyed by his press spukesman, contrasted cials said, sharply with comments in West German newspapers and by indos-trial leaders. They suggested that the accord was a vague hit of cosmetics meant to prop up a visit

age as a "man of peace."

The Chancellor's press spokesman, Klaus Bolling, said Mr. Schmidt saw the agreement not only as an economic document but

also as a "political act without par-allel in the recent history of the

world."
The agreement and the declara-tion, according to Mr. Bolling's ac-count of the Chancellor's thinking, "would have been unthinkable 10 years ago."

The economic agreement calls for joint development of industrial plants, industrial products and equipment, development of natural resources, including seabed mining projects, and cooperation in the production of energy, banking.

vice industry projects and in the huilding of machines, steel, auto-'mobiles, and chemical products.

At the same time, the agreement included a statement that "efforts will be made to continue granting credit under the most favorable conditions" and that barter ar-rangements would be continued where necessary.

This went against the basic atti-tude of West German industry and hanking which feels that the Russians have counted far too much on West German loans and could not indefinitely continue to offer products such as sheep or plum jelly

(Continued on Page 2, Col. 7)

senger planes to that rule.

Soviet negotiators, sources said,

contend they most be able to tell a

missile carrier from a passenger plane at a glance — presumably by

satellites.
A Boeing 747, McDonnell Doog-

las DC-10 or other passenger jet se-

lected for the role woold have to

have clearly distinguishable doors

and other characteristics identifying its nossion to satisfy the Soviet

This would cost the United

States considerably more money

than converting existing airliners.

.U.S -, strategists, believe the extra-

On U.S. Transport Issue

Russia Said to Ease Objection to Missile

By George C. Wilson

Unium.

WASHINGTON, May 7 (WP) rather than converting existing pas-The Soviet Union has withdrawn its "categorical" objection to the United States putting Cruise mis-siles into wide-hodied civilian transports like the Boeing 747, adminis-tration officials said yesterday.

Pentagon strategists from De-fense Secretary Harnld Brown down have been pushing hard for a new mother plane to insore that Cruise missiles could nverwbelm any futore Soviet defense by giving it tou much to handle.

A wide-bodied transport could carry 60 to 80 Cruise missiles, Ex-isting B-52- bombers will carry about ?/): ...

The Soviet Union doring recent urms negotiations in Geneva backed off its flat-out opposition to Cruise missile carriers but pressed for several limiting conditions, offi-

Soviet Condition

One candition sought by the Soviet Union, but still at issue, is hoilding the wide-bodied jet from the ground op as a missile carrier

insisted another State Department

source, this one unidentified. "Har-

rimun has been proposed for the U.S. delegation to the UN Special Session un Disarmament. Andy

Young will be chairman. The prob-

lem with the publicity is that Harri-

man hasn't been approved by the

"I do think it's quite funny, actually," said Mr. Harriman's wife, Paroela "Bot it is sort of sifly

for something that only lasts live

weeks. And what do they do if

somehody says. Yes, he's sloshed every night.

"The only thing that bothers me," she says, "is that this guy has been working on this case for two

"You must understand." says the

weeks, wasting taxpavers' money."

unnumed source at the State Department, this will be a presi-

dential appointment. And anyone who is up for one of those would

have to go through a secority

"Even Jerry Furd,"

White House yet."

cost woold pay off in terms of keeping the offense ahead of the defense. One Vehicle U.S. negotiators at the Strategic Arms Limitation Talks in Geneva

are arguing that a wide-hodied plane full of Croise missiles should count as one vehicle under the agreed upon limit of 1,320 missiles and homhers carrying more than nne nuclear warhead.

Under that rationale, the United States could deploy 1,200 moltiplewarhead, land and suhmarine mis-siles plos 120 Cruise missile carri-

If all the 120 carriers eventually became wide-bodied transports carrying 70 Cruise missiles each. Soviet defenders would have in confront 8,400 warheads - an onenciable task.

On the more cumforting side. backers of the plan argue, a Cruise missile flies so much more slowly to its target than a ballistic missile that the Soviet Union would not have to worry about a sorprise Cruise attack knocking out landbased missiles.

Overwhelming Numbers

The Cruise force, while overwhelming in numbers, would be elearly for retaliation and thus discourage the Soviet Union from (Continued on Page 2, Col. 6)

Kennedy **Tops Carter** In U.S. Poll

WASHINGTON, May 7 (UPI)—Sen. Edward Kennedy. D-Mass., rather than President Carter, is the first choice among Democrats to be their party's 1980 presidential nominee, according in a Gallop poll reported in The Washington Post

today.
When asked to select their When asked to select their first choice from among six prominent Democrats. 30 per cent of those polled chose Sen. Kennedy while 29 per cent picked Mr. Carter. When facing Mr. Carter alone. Sen. Kennedy held a 53-to-40-per-cent lead. California Gue. Edmund Brown jr. was the third choice with 12 per cent of the cote, followed by Vice-President Mon-

with 12 per cent of the cote, fol-lowed by Vice-President Mon-dale with 8 per cent, Sen. Henry Jackson of Washingtun with 5 per cent, and Rep. Morris Udall of Arizana with 3 per cent. Only once in the 43-year his-tory of the Galtup Poll has an incumbent president eligible for re-election been defeated in a

re-election been defeated in a survey. That was in September, 1967, when Sen Kennedy's

hrother, Rubert, was the choice of 51 per cent of Democrats for the 1968 nomination while 39. per cent preferred President Lyndon B Johnson

Called Not Justified Until 1981

Saudis Said to Urge Oil Price Freeze

to scionces at a meeting of the Or-

told their OPEC partners that market conditions would not justify an cal price rise naw, but might do so in 1981 or 1982.

Saudi Oil Minister Sheikh Ahmed Zaki Yamani, hust at two days of infirmal talks here among the 13 OPEC members, tald the ministers that the corrent sorplus in the world oil market was expected to persist ontil 1981 or 1982, the

sources reported.

They quoted him as saying that no price increases were conceivable hefute then.

The storces said that Sheikh Yamani gave a lengthly exposition of the reasons for Saudi Arabia's support of the U.S. dollar as the hasic currency for setting the price nf oil. He was quoted as saying that he believed the dullar was already on the road to recovery.

Many ministers at the Tail con-

Judge Releases Houston Man After 14 Years

HOUSTON, May 7 (AP)—For 14 cears. Calcin Sellars insisted that he was innocent of the jurture-robhery of a Housian merchant. While in prisan he studied law and court

man whose death sentenced had been commuted to life imprisonment had been illegally confined.

Judge Cowan ruled that Sellars

had been convicted in 1965 on the perjured testimone of two pidice officers. The state of Texas is ap-

peating the ruling.
Sellars was concicted of being one of three men who raided the hame of Mair Schepps, a wealthy candy-tobacco merchant, in March of 1964, Mr. Schepps and his wife were shot and tortured. The three men left with \$2,500 in cash and demonds valued at \$25,000. diamonds valued at \$25,000. Last Dec. 7, during a court hearing. Sellars, acting as his own attorney, got farmer detective Robert Schallett to testify that Sellars had been told he would never see the lights of Houston again onless he cooperated Settars also stated that police inspector Woody Stephenson had said t alon. "I've killed had no comment on claims by the six men and you just bught be rightest Vational Liberation party.

TAIF. Saudi Arahia, May 7, ference, which started yesterday, main entites argoing that the Saudi Centers)—Saudi Arahia has sug-were concerned about the erusion stand was harmful to the onity of Reuters)—Saudt Arahia has sug-ested a freeze in oil prices for the of the porchasing power of their oil OPEC and coold render it power-ext three or four years, according revenues because of the dullar's re-tevenues because of the dullar's re-

ganization of Petroleom Exporting

The sources said that Sneikn reming changes was a waste of time and

Yamani argued that there was no ference was a waste of time and

or other than the sound probably oil pricing. His argoments were buycutt the Jone meeting in Genesaid to hace been supported hy Iran's OPEC delegate, Mohammed be taken there. Iraqi Oil Minister Tayeh Abdol-

> Harmful to OPEC The sources said that the Saudi

position was strongly attacked by advance agreement by some mem-states that want an oil price in- hers to keep prices frozen. crease decided at OPEC's next regular ministerial conference in Geneva on Jone 17-18.

eva on Jone 17-18. tively holding them at levels set in Iraq was named as nne of the December, 1976.

Commander Blamed **Syrians Shell Christians**

In Beirut; 4 Are Killed BEIRUT, May 7 (AP)—Syrian tia, that Syrian Maj. Mohammed beace-keeping forces yesterday Khayer was responsible for the atpeace-keeping forces yesterday shelled a Christian neighborhood

of southeastern Beirut in the sec-und outbreak of fighting there in a munth. Four persons were reported

et today. There were conflicting reports about the cause of the midnight-todayhreak rocket and artillery fire on Ain et-Rummaneh. The attack sent residents fleeing to basements

on Friday. U.S. District Judge
Finis Cowan freed Sellars on personal recognizance, ruling that the been ordered by a Synan com-mander who had a grudge against the Christians and opened fire in an allempt to provoke the popu-

Moslem Suport

Residents of the area, including some Moslems, supported this

claim. But the command of the Syriandominated. Arah League force said its troops acted after anarchists from Christian and Moslem neighbarhoods hegan fighting with ma-chine guns and bazookas. Resi-dents of hoth the Christian and Moslem communities defied there

was any sectamen fighting. First reports said that 25 had heen wounded in the shelling, but Beirut police later lowered the toll

The peace-keeping command

which tields one of the major mili-

tack and previous assaults against

Maj. Khayer's unit was replaced tater in the day, the command killed and 17 wounded.

Aside from the occasional sound of a sniper's rifle, the area was qui-

Earlier Toll

Last munth, 115 soldiers and eivilians were killed in fice days of fighting between Christian and

Moslem quarters. The neighborhoods were major battle areas during the 1975-1976 civil war. The Syrians, who moved into Lebanon in an attempt to end the war, are charged with maintain-

ing Beirut's shaky cease-fire. In other developments vesterday. a Senegalese member of the sepa-rate UN fonce in southern Lebanon was reported killed and another wounded by a U.S. cluster bomb.

A UN spokesman said the two men were examining the unexplod-ed bomb Friday when it went off. The bombs were dropped by Israel during its incusion of southern Lehanon last month and the U.S. Government later protested then

on suspicion of carrying a time bomb in her handbag at Berrut airport. The student was apprehended before she was to have boarded a Geneva-hound flight. Officials said that the student, identified as Nanni Albanica, be-

triend-hip organization

At Lehanese military headquar-

ters, intelligence officers were ques-tioning a 23-cear-old Swiss student

· Los Angeles Time

Turkish Lira Follows Fall of U.S. Dollar

dian dollar today.

According to a Central Bank announcement, the Turkish lira fol-lowed the fall of the U.S. dollar. losing value against European cur-rencies. Under the new parities, a

Deutsche mark is equal to 11.73. Turkish liras as opposed to the pre-vinus 11.50; the Swiss franc is equal to 12.56 liras, op from 12.20, and the French franc is 5.30 Turkish liras, op from 5.05. The lira gained

that Mr. Brezhnev was using, they

For White House Appointment **Even Harriman Becomes Probe Subject**

By Sally Quinn WASHINGTON, May 7 (WP)-It was not the idea of the security check that anybody minded. Such things are commanplace in Wash-

ngton.

But what set his neighbors in Georgetown huzzing this week was the target of State Department's latest Joh security inquiry — Av-erell Harriman. Former under secre-tary of state, former ambassador to the Soviet Union, former ambassador to the Court of St. James's, former secretary of commerce: former

amhassador-at-large.

How could they send someone around asking if Averell had a drinking problem ... or whether he had a happy marriage? exclaimed one of Mr. Harriman's Georgetown

neighbors. Culumnist Art Buchwald, who was among those contacted by State Department security officer Henry Bishop, commented: "What are you supposed to say? Ah yes, I believe he knew Stalin well." Mr. Bishop insisted that he was



Averell Harriman

not at liberty to explain why be was checking on the distinguished 86-

vear-nid statesman.

"Deep, deep, deep background," Senate May Take Up Overseas Tax Soon

Deductions Instead of Exclusion

For income earned next year, it would substitute a proposal hy Sen. Ahraham Ribicoff, D-Conn., which would replace the income exclusion with special deductions for housing, cost-of-liv-ing and education. The House cersion contained only a oneyear delay in the Tax Reform Act

An indication that Senate action on the measure might be forthcoming in the near future was a bearing scheduled tomorrow morning by the Finance . Committee on a Library of Congress stody, commissioned by Sen I:dward Kennedy, D-Mass.

Committee. It would defer the Section 911 (foreign source income) provisions of the 1976 Tax Reform Act for income earned in 1977 and last year.

The study strongly eriocized proposals now before Congress for tax relief for Americans working overseas.

This study argues that relief

Americans Abroad May Receive

This study argues that relief that would be granted by the pro-pusals now before Cungress is excessive when compared to the amount of relief that could be justified on the basis of the difference between the cost-of-living in the United States and abroad. and rejects claims that such relief serves other important economic goals such as promoting U.S. exports keeping U.S. firms competitive overseas and creating jobs in the United States.

These findings were in direct contradiction to those of the General Accounting Office, which, after an exhaustive study released. Feb. 21, recommended

continued tax benefits for Americans working overseas. The GAO, in its yearlong study, sent investigators overseas to examine the problem in depth. Library of Congress officials conceded that their report was done solely at the Lihrary, but defended its Differing Recommendations

Judging from the list of witnesses, the bearing will be a con-frontation between the GAO and the Library of Congress over their widely differing recommendations. Its major purpose, according to congressional sources, will be to try to answer in committee any arguments based on the Library's report that might be rused against the hill on the Senate floor. This would avoid what could

be a lengthy floor fight, probably led by Sen. Kennedy, Mr. Kraft. after a lengthy session with the (Continued on Page 2, Col. 5)

Carter Cites Notes to Brezhnev

sent several private warnings to Leonid Brezhnev, the Soviet leader, about Soviet and Cuban military involvement in Africa.

He told citizens at a meeting here Friday that bis messages said in effect, "Be careful how you use your military strength in Africa if you want to be a friend of the United States and maintain peace."

Mr. Carter said the Soviet Union's main effort in Africa had been the sale of arms, while the United States have the continent

United States gave the continent economic aid, friendship and a commitment to human rights.

Mr. Carter also said that he believed that the United States con-tinued to hold the edge over the Soviet Union in Africa. He attributed this, in part, to "an innate racism that exists in the Soviet Union toward black people."

The President praised the Soviet Union, however, for negotiating "in good faith" on the limitation of strategic arms.

Carter Statements Seen as Forceful

By Graham Hovey WASHINGTON, May 7 INYT)-High-ranking government officials yesterday characterized President Carter's warning to the Soviet Union and Cuba about military intervention in Africa and his charge against the Russians of "innate racism" toward blacks as his most forceful statements to date on the

"I'm not surprised that be made it because he keeps letting us know of his deep concern," said an Afri-can specialist, referring to Mr. Carter's extensive response to a

question Friday in Spokane. The President said he had used the "strongest possible terms" to warn Moscow and Havana that their African interventions would teopardize relations with the United States and damage East-West

A Correction

The story in the weekend editions of the International Herald Trihune on President Leonid Brezhnev's meeting with Chancel-lor Helmut Schmidt in Bonn inadvertently stated that the Russians had no intention of bringing the neutron-weapon issue into a current disarmament meeting. It should have said that the Soviet Union has no intention of bringing the weapon into any current forum, hut will instead focus on it at the UN disarmament meeting in New York later this month.

From Wire Dispatches

SPOKANE, Wash., May 7—President Carter has reported that he sent senter has reported that he sent senter has reported that he sentered has reported has reported

Some administration officials said they were surprised that Mr. Carter had spoken publicly about a subject long discussed privately in diplomatic circles: the allegations of racist behavior by the Russians in their dealings with black Afri-cans, both in Africa and in the So-

'Article of Belief'

watched the Soviets operate in Africa," said one official, "but as far as I can remember this is the

Diplomats have often cited racial prejudice as a factor in Soviet setbacks in Africa and there have been instances of public protest by black African students about alleged discrimination in the Soviet Union and other Eastern European countries under Communist rule since the early 1960s.

One U.S. official said, however, that he was not certain black Africans would react favorably to Mr. Carter's charge of racism. The Africans can still see all the blemishes in our open American society," he said. "They may say. You still bave too many motes in your own eye for the President to be talking like that."

The President's warning that So-viet behavior in Africa would inevitably affect progress toward de-tente and overall Soviet-U.S. relations again pointed up a continuing

Laker On Way To L.A. Service

dle in his attempt to expand his

cation to operate a no-frills, walk- er. on service, identical to the New

national issues.

Mr. Carter said that Secretary of

Mr. Carter said that Secretary of State Cyrus Vance, in Moscow last month, had repeated the Presi-dent's warning to Soviet leaders about the effect of African inter-ventions on Soviet-U.S. friendship. Mr. Vance has said emphatically, however, that Soviet actions in Af-rica should not be allowed to hamper progress toward a new treaty to curb the nuclear weapons race — the so called SALT-2 agree-

"It is one of those articles of be-lief for a lot of us who have watched the Soviets operate in Africa." said one official. "but as dent's adviser on national security, has often said that Soviet behavior first time any high-ranking official has often said that Soviet behavior of any government has talked about it openly." has often said that Soviet behavior in Africa could not fail to affect progress on other outstanding

Several officials remarked yester-day that Mr. Carter's language and emphasis in Spokane appeared to be more in line with Mr. Brzezinski's attitude than with that of Mr.

Officials said they believed Mr. Carter's reference in Spokane to a strong religious commitment in black Africa as a defense against Soviet penetration and a factor fa-vorable to the United States de-

rived in part from his visits last month to Nigeria and Liberia.

Both Lt. Gen. Olusegun Obasanjo. Nigeria's head of state, and President William Tolbert jr. of Liberia are devout practitioners of Mr. Carter's Baptist faith, the officials pointed out. Mr. Tolberi in 1965 became the first black to become president of the Baptist World Alliance.

Tass Disputes President

MOSCOW, May 7 (AP)—Tass yesterday lashed back against Pres-ident Carter's statement that an "innate racism" against blacks ex-ists in the Soviet Union.

The official Soviet news agency

LONDON, May 7 (1HT)—Fred-die Laker has crossed the first hur-that Mr. Carter had compared Soviet "racism" with conditions in the Skytrain service to Los Angeles.

Britain's Civil Aviation Authori
declared that "we know how to live ty approved Laker Airway's appli- with white and black people togeth-

"Of course, J. Carter forgot' that York operation, on the London to equality and respect of one people Los Angeles route. The Laker plans now must be approved by the Department of Trade and by U.S. aviation Tass report said.

By contrast, it said, such equality A one-way flight from London's and mutual respect "until now has Gatwick Airport to Los Angeles remained an unobtainable dream in would cost £84 from Oct. I to June the United States (or Indians, 30. and £96 from July I to Sept. 30. Negroes, Puerto Ricans, Chicanos The flight from Los Angeles to and other representatives of nation-London would cost \$220 from al minorities, who are the victims of Sept. 1 to May 31, and \$248 from discrimination in all fields and merciless exploitation."



Mrs. Eleonora Moro leaves church after mass for husband.

nists, has repeatedly refused to deal with the kidnappers to save the leader of the Christian Democratic party. It turned down a bid by Socialist leader Bettino Craxi to re-

duce prison sentences or make

treatment in Italy's maximum se-curity jails milder if Mr. Moro were

But both Communists and the

right-of-center Republicans showed

displeasure this weekend with a government agreement to allow

Amnesty International, a British-

based organization concerned with

The Communist newspaper

L'Unita said. 'This move is strange

and unmotivated whether connect-

ed with prison conditions or

whether it is a move to stay the assassin's hand." The Red Brigades

have said that one of their aims is

to destroy all Italy's jailers and jails, described as "concentration

(Continued from Page 1)

Massachusetts Democrat, found

him to be "committed" to the Li-

brary of Congress study.

But even if a floor light is avoided, the bill still faces prob-

The three-month fight over the

Panama Canal treaties this year, and the yearlong fight over the energy bill last year delayed ac-

tion on a wide variety of legisla-tion and forced the Senate to

avoid almost all issues that could be termed "controversial." For this reason, any lengthy debate over the tax measure could doom

it for the session. It also also

made virtually impossible any at-tempt to separate the deferral of the 1976 Tax Act provisions from the Ribicoff proposal.

Strongly Committed

members found that most of the

senators they met with were

strongly committed to getting the

entire Finance Committee Bill passed. In fact Mr. Kraft said

that "every indication I have had

during the course of my meetings with members of Congress this week, leads me to believe that it

would be the Ribicoff bill - pos-

sibly with some modifications but with the basic format intact

but with the basic format intact—or nothing."

But even if the bill gets through the Senate, it must still go to a conference with the House, with the version agreed to by the conferees going back for approval by each house. House Ways and Means Committee Chairman Al Ullman. D-Ore, apparently has dropped his insistence that the House originate its own measure. He has indicated

own measure. He has indicated

that he would not strip the Ribi-coff proposals from the bill but

would instead make certain adjustments and modifications and

mark the bill up.
However, during this process,

the measure could be sidetracked by the unresolved controversy

over the sale of military aircraft to Israel. Egypt and Saudi Ara-bia, or by the energy bill, which

is still in conference.

Mr. Kralt, a tax attorney based in Zurich, said that unless

some type of bill is enacted very quickly, a course that appears unlikely, many Americans over-seas, who must start working on

their tax returns within the next

week or so to make the June 15 deadline, will be uncertain as to

which version of the law they should be filing under. In talks with Treasury and In-

ternal Revenue Service officials be found that, unlike last year, a blanket extension to July 15 would not be granted. In addi-

tion, it was uncertain how the IRS would treat individual requests for an extension. An IRS official advised Americans

abroad who are doing their re-turns now to "file on the basis of the law as it exists " meaning un-

der the provisions of the 1976

Tax Reform Act, If the law is

then changed, taxpayers will have to file amended returns to

Mr. Kraft and other chamber

Tax Issue

In Senate

ems of timing.

Moro Reported to Write Farewell Letter to Wife

(Continued from Page 1) were on a list of persons sought as sympathizers with the Red Bri-

Politicians, relatives and police are pinning hopes that Mr. Moro may still be alive on the terrorists' use of the gerund "by executing,"

Trial Reset For Accused Snake Biter

MORGANTON, N.C., May 7 (AP)-Naomi Anderson showed up in district court with her pet boa constrictor, Daniel, in a blue pillowcase, but the man accused of biting off the tip of Daniel's tail failed to appear, Judge Bill Martin ordered 18-

year-old Kenneth Spurling ar-rested and rescheduled his trial for May 19. Mr. Spurling is accused of biting one-half inch off the tail of Daniel, a 48-inch

According to Miss Anderson, she and Daniel were with a friend in a car by Lake James on April 22 when Mr. Spurling walked up, began petting the snake and asked if it would hart him. He then picked up the him. He then picked up the snake and took a bite of its tail, she said. She added that she wants to recover the \$25 it cost to to have Daniel's tail sewed

Egypt Is Buying Many U.S. Transports

CAIRO, May 7 (AP)—War Min-ister Mohammed Abdel Ghany Gamassy said yesterday that Egypt has concluded a deal with the United States to purchase a large num-ber of C-t30 transport aircraft and

plans to replace some of its aging Soviet MiG-21s with the 50 U.S. F-Gen. Gamassy said, however, that French-supplied Mirage fight-er-bombers will remain the back-

Agency said.

The war minister praised Western aircraft, saying that they were more sophisticated, better equipped and have better facilities than Soviet planes. than Soviet planes.

Double the Capacity

He said that the C-130 has double the capacity of the Soviet-made

Antonov transport plane.
His statements were made as the U.S. Congress was discussing a controversial proposal to sell 60 F-15s to Saudi Arabia, 50 F-5Es to Egypt and 15 F-15s and 75 F-16s to

Egyptian President Anwar Sadat has described the F-5E as a 10th-rate plane, but viewed the proposed just stopping short of saying they had already killed the former predeal as significant because it could mark the start of U.S. military aid The government of Christian Democratic Premier Giulio Andreotti, backed by the Commuto Egypt.

The type of the French planes was not mentioned, but Egypt is known to have 45 to 55 Mirage-3s and is expected to get 50 more. Gen. Gamassy said that Egypt

Russia Said To Ease Up

(Continued from Page 1) starting a nuclear war in the first

political prisoners, to inspect Italy's place, according to Carter nuministration officials.

Rather than go along with the effort to discuss or exploit the re-United States by counting the cent differences between West Ger-wide-bodied missile carrier as one many and the United States. bomber within the 1,320 limit, Soviet negotiators have said each jumbo jet should count as three bombers because it will carry three times as many missiles as the B-52. The United States is rejecting this argu-

Secretary Brown's enthusiasm for using wide-bodied jets as Cruise missile carriers is not shared by the House Armed Services Committee. It recently deleted \$41.2 million the Pentagon is requesting in its fiscal 1977 budget for the jumbo jet missile carriers.

A wide-bodied jet serving as a missile carrier would be 30 slow that Soviet defenses could knock it out of the sky, the committee amounts to putting too many nu-

clear eggs in one basket. The committee majority voting against the new missile carrier, further predicted it would cost as much as the \$100-million B-1 bomber which President Carter canceled. The B-1 could have car-ried Cruise missiles as well as pene-Irated defenses.

Easy Target

While conceding thata 747-type jet loaded with Cruise missiles. would be slow and easy to hit, backers stress that it would launch its missiles while still safely out of range of Soviet defenses.

As Soviet defenses improve, the proponents argue further, the range of the Cruise missiles could be ex-tended beyond the 1,500-mile limit envisioned under the SALT agreement now in negotiation.

The Senate Armed Services Committee, in marking up its ver-sion of the Pentagon money bill, so far has gone along with authorizing money for the Cruise missile car-rier, although there is still a chance the requested \$41.2 million will be. shaved a bit.

The Air Force is running a competition between aviation companies to test the concept of using

wide-bodied jets as Cruise carriers.

Funeral Trick Foiled in Egypt

CAIRO, May 7 (AP)—A baker was arrested for holding a phony funeral in order to smuggle sacks of flour into his shop in Maghagha, north of Cairo, the newspaper Al Akhbar reported vesterday.

Akhbar reported yesterday.

The man put three sacks of flour in a coffin and arranged a funeral procession through town with women screaming in grief behind the coffin, the newspaper reported. Police discovered the trick and stopped the procession.

Flour is strictly rationed in Egypt and is not easy to find in large quantities.

Egypt reportedly has been nego-tiating with French companies to build Mirages and Alpha lets, a va-riety of missiles and modern elec-tronic military equipment.

A protocol was recently signed regulating cooperation between

France and the Arab Organization for Industrialization, which in-cludes Egypt, Saudi Arabia, Quar-and the United Arab Emirates. Western military analysis suit consider the MiG-21 and MiG-2: jets as the backbone of the Egyptian Air Force although Egypt is having difficulties finding spare parts to keep its MiG fleet flying.

bone of the Egyptian Air Force. He made the comments during a visit to technical sections of an unidentified air base, where he attended an exercise on overhauling an engine of the French-made jet in a record time, the Middle East News Accord time, the Middle East News

(Continued from Page I) against West German machinery

and steel pipe.
Otto Wolff von Amerongen. kead of West Germany's industry and trade associations, discounted the importance of the agreement. In an interview with a French television network, he said:

"It is not an historie accord. It gives German industrialists the chance to plan better and the possibility to accelerate exchanges, but they are problematical between countries with such different eco-

nomic systems. The Frankfurter Allgemeine Zeitung, one of the country's most influential newspapers, stressed hollowness of the results of the conversations in a front-page editorial. Against the historical claims, it

spoke of "prosaic reality."
"Four weeks ago," the editorial said, "no one even had the idea of a long-term economic accord that, having been rapidly stitched together, is now being portrayed as would get the planes either through

miracle." On the questions of disarmament and better relations. West German government sources avoided any talk of advances in describing the-

conversations.

They said Mr. Brezhnev showed no readiness to discuss possible negotiations concerning the controversial neutron bomb. They also reported that the Soviet leader, who in large measure read from pre-pared notes during his conversa-tions with Mr. Schmidt, made no

Mr. Brezhnev described the conversations with Mr. Schmidt as "necessary, substantive and useful," and the Chancellor characterized the conversations as valuable for detente in Europe and the

The overall impression of the talks, however, was that little was accomplished in any concrete way and that Mr. Brezinev, who denounced the neutron bomh, was intent on projecting an image of the Soviet Union as a force in favor of arms control-before the United Nations aspecial session on disarmament luter this month.

The joint declaration said. "Both sides regard it as important that no one should seek military superiority. They proceed from the assumption that approximate equality and parity suffice to insure defense. In their opinion, approprinte measures of disarmament and

Carter Relates

Sadat Switch

SPOKANE, Wash., May 7
(NYT)—President Carter told a citizens' meeting here of progress made toward peace in the Mideast since his first meeting with President Appear Sadat of

with President Anwar Sadat of Egypt. He said Friday that he had told Mr. Sadat that "I want you first of all to recognize that Isra-

et has a right to exist and that he wanted the Egyptians to ne-gotiate directly with the Israelis. The President said that Mr. Sadat had replied, "Mr. Presi-dent that will never happen in my lifetime." Mr. Carter noted, however, that the prophesy had been dispelled by Mr. Sadat's historic visit to Jerusalem.

Kyprianou Sees Bluff by Turkey

Athens, May 7 (AP)—Cyprus President Spyros Kyprianou said recent claims by Turkey that it would draw closer to the Soviet Union were an obvious bluff designed to deceive the U.S. Congress into lifting its arms embargo.

He said in an interview published here yesterday that Turkey needed the West 100 per cent and that it was the United States which could still decisively contribute to solving the Cyprus crisis.

America can still do a lot." Mr.
Kyprianou told the English language Athens Daily Post, adding.
"The question of the embargo is very important in this content." very important in this context be-cause if it is lifted then the poten-tial of the United States to play a decisive role is reduced."

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COSTA DEL SOL	15 57 cloudy	SOFIA	11 52 showers
DUBLIN -	unavaliable	STOCKHOLM	10-50 -ctear
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	18 44		

of great significance.
On the matter of West Berlin, which the West Germans regard as a weathervane of good or bad East-West relations, the two sides endorsed the Four Power control of the situation of the situ the city stemming front the Allied victory in World War II and said it should "be strictly adhered to and

arms limitation in the nuclear and conventional fields in accordance with this basic principle would be

Boy Scouts Cut Age Limit on Handicapped

NORTH BRUNSWICK, N.J. May 7 (AP)—A 23-year-old man will become an Eagle Scout as a result of a Boy Scouts of America de-cision to eliminate age requirements for the handicapped.

An Eagle Scout pin — that of the highest scout rank — will be forwarded immediately to local scout officials for Gregory Wittine. 23, of Baldwin, N.Y., said Harvey Price. the chief scout executive.

Mr. Wittine is a cerebral palsy victim who qualified for Eagle Scout in part by completing a 10-mile hike on his hands and knees. His case helped raise a public outcry over Boy Scout policy tuward the bandicapped.

Effective last Finday, physically handicapped Boy Scouts can be en-rolled past their 18th hirthdays. Cun Scouts may be enrolled after their 11th birthdays and Explorers may remain in posts beyond their 21st birthdays. There will be no upper limit on age.

The 1.2 million scouts in the Boy

Scouts of America include more than 60,000 physically or mentally handicapped persons.

Egyptian Cabinet Shuffled

CAIRO. May 7 (UPI)—The architect of Egypt's economic policy. Abdel Kaissouny, was dropped from Prime Minster. Mamdouth Salem's Cabinet in a limited shuffan

Other key posts did not change, hands but five ministers joined the new lineup for the first time and five others were assigned different portfolios.

By injecting new blood into the administration, Mr. Salem said it will be better qualified to attempt a "basic reform of the Egyptian economy and grapple with the people's everyday problems."
Gen. Mohammed Mohammed

Mohammed Ibrahim Kamel as foreign minister and Maj. Gen. Na-bawi Ismail as interior minister. The sbake-up was ordered by President Anwar Sadat last Toes

Abdel-Ghany Gamasy remained as

vice-premier and war minister,

day after the Cabinet came under strong criticism in the local press which castigated it for a "lack of team spirit" and compared its members to "various horses pulling a cart in opposite directions."

Mr. Kaissouny, vice-premier for economic affairs, resigned three weeks ago and went to the United States for medical treatment. His stringent economic policies weeks

stringent economic policies were becoming increasingly unpopular, even inside the Cabinet itself.

He reportedly favored a wage freeze, as part of a drive to combat inflation, but was overruled by Mc Salem, who feared this would add to the discontent. to the discontent. The shuffle was the second in

seven months and the fifth singe Mr. Salem, a 60-year-old former police officer formed bis first Cab-unet in April, 1975. The new lineup does not include the post of vice-premier for economic affairs, but Abdel Razzik Abdel Meguid, a top UN official, was appointed as economic plan-

ning minister, a post which Mr. Ka-issouny previously held as well. "We hope that we will be able soon to move from the phase of in-troducing basic solutions to the phase of abundance and afflu-ence." Mr. Salem said.

Mr. Salem outlined two other tasks facing the Cabinet: "Working under President Sadat's leadership to liberate Israel-occupied territory and realize a peace settlement based on justice" and "safeguard-ing the sound exercise of democra-

In Tuesday's speech Mr. Sadat said he wanted "dynamic, not pas-sive ministers," capable of con-fronting parliamentary and press criticism. The newcomers included: Abdel Razzak Abdel Meguid, minister of economic planning. Ahmed Mamdouh Atteya, minister of jus-tice; Mahmoud Mohammed Dawood minister of agriculture: Ahmed Talaat Tewfik, minister of housing, and Nussel Tahoun, minister of supply...

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SPOKANE, Wash., May 7 (NYT)—President Carter has at-tacked organized medicine as the "major obstacle" to better health care in the United States.

"I know that doctors care very seriously about their patients, but when doctors organize into the American Medical Association. their interest is in protecting the in-terests not of patients but of doctors," the President told 1,700 persons at a "town meeting" here Friday.

Spaniard Given **Death Sentence** By Algerians

MEDEA, Algeria, May 7 (AP)-Algeria's state security court today sentenced to death a 32-year-old Spaniard convicted of the attempted April 5 assassination of Antonio Cubillo, leader of the Algerian-backed Movement for the Self-Determination and Independence of

the Canary Archipelago.

Juan Antonio Alfonso Gonzales said during the two-day trial that he was sent to Algiers by a Spanish anarchist movement known as the Revolutionary Patriouc anti-Fascist Front (FRAP) to kill Mr. Cubillo, whom he described as an

agent of the CIA. The prosecution denounced Gonzales's confession and charged that he was ordered to kill Mr. Cubillo by Spanish military intelli-

gence services.

Gonzales confessed that he ambushed the 48-year-old Mr. Cubillo in the lobby of his Algiers apart-ment building and stabbed him re-peatedly in the spine and abdomen. Mr. Cubillo is still on the critical list in an Algiers hospital and doctors say he may be permanently paralyzed in his lower limbs.

Jose Luis Cortes y Rodriguez, 22, who confessed he acted as lookout man for Gonzales, was sentenced to 20 years in prison.

Soviet Officers Foil Hijacking Attempt

MOSCOW. May 7 (AP)-An armed man attempted to flee the country by hijacking a Soviet pas-senger plane on a local flight from Ashkhabad, the capital of Soviet Turkmenistan, but was killed by security officers, Tass reported yes-

terday.
The Soviet news agency identified the hijacker only as the "armed criminal Skubenko."

By Martin Tolchin "They have been the major ob-

stacle to progress in our country in having a better health care system in years gone by." he added.

The attack was made a day after a similar assault on the legal profession and was delivered in the President's new, forceful style.

The meeting followed a tumultu-ous welcome from a crowd of 20,000. The meeting highlighted a three-day Western swing that bore many of the earmarks of a presi-

dential campaign.

John White, chairman of the
Democratic National Committee. said in an interview Friday: "I feel in him a sense of energy and excite-ment that I hadn't felt before. I thought he hit a home run in Los Angeles yesterday, and he did it again today with the bases loaded."

At the meeting, Mr. Carter said that the major goal of his administration was to rekindle a sense of

idealism in the American people. "I would like to go out of office with a resurgence of idealism in our country," he told the audience. country," he told the audience, which had been selected by a lottery conducted by the League of Women Voters.

Mr. Carter also announced that a White House conference on small business would be held in the next 12 months to deal with problems such as taxes and regulations.

Markets Sought For U.S. Goods

WASHINGTON, May 7 (UPI)-Agriculture Secretary Bob Bergland departed today for the Soviet Union, Britain, Norway and a number of Eastern bloc nations on a mission to sell U.S. farm prod-

Mr. Bergland's first stop will be Moscow, where he will discuss trade relations with the ministers of agriculture, foreign trade and procurement. The visit also will in-clude the twice-yearly conference on the Soviet-U.S. grain trade. Mr. Bergland bas told reporters

that in Moscow he will discuss whether the United States will offer the Soviet officials credit arrangements for grain purchases.

Sudan Chief Visits Iraq

BAGHDAD, May 7 IAP)-Sudanese President Gaafar Numeiri arrived in Iraq today on a Middle Eastern tour aimed at mending the Arab rift over Egypt's peace initiative with Israel.



PEDDLING GOODWILL-President Carter's mother, Lillian, mounts an exercycle in a Copenhagen home for elderly to push international cooperation. It was an exchange visit arranged by Friendship Force, a Georgia oxganization sponsored by Mr. Carter when he was governor.

Whereabouts Still Unknown

Vesco Bid to Quit Costa Rica Reported

(AP)—A San Jose television station said yesterday that fugitive American financier Robert Vesco has tion. I never knowingly violated a written President-elect Rodrigo Carazo offering to move from Cos-ta Rica if the government decides he is not wanted.

The station said the letter was dated May 6 and was signed by Mr. Vesco. In it, the writer denied any involvement in an alleged \$224-million fraud from the Geneva-based Investors Overseas Services mutual fund which he once headed. It asked the government to study his

case carefully. Mr. Vesco has refused to return to the United States for quesnoning by the U.S. Securities and Excha nge Commission about the alleged fraud.

A charge brought by a Costa Rican alleging he was cheated of \$134,000 by Mr. Vesco was dismissed by a judge last month, but the government appealed, creating thorities said Mr. Vesco did not enanother obstacle in his effort to ter those countries and Costa Rican gain Costa Rican citizeship.

'Clear Conscience'

ing to a single penny. I ran giant yesterday.

SAN JOSE. Costa Rica, May 7 businesses with a clear conscience.

single law."
Mr. Vesco, 43, also is wanted in the United States for an illegal contribution to former President Richard Nixon's campaign in 1972. He came to Costa Rica that year and later renounced his American cinzenship. The U.S. Justice Depart-ment has been unsuccessful in several attempts to extradite him.

The letter did not disclose Mr. Vesco's whereabouts. Costa Rican immigration officials said he flew to Panama last Sunday in a chartered plane and that be planned to visit the Bahamas and Venezuela on business before returning to Costa Rica. He left Cosla Rica on a 75-day travel permit after after posting \$34,000 bond in

the fraud case, Panamanian and Venezuelan au-

Shah Visit Announced In the letter, the writer denied wrongdoing and added: "I never committed the famous \$224 million will visit Hungary and Bulgaria on fraud nor any other fraud amount- Friday, a court communique said

posing his citizenship.

The letter to Mr. Carazo said: "It is said that meetings have been beld between high members of your future government to plan my expulsion from Costa Rica without true

legal process. Even though the idea seems unlikely, given the political passions that have evolved against me I would like to communicate to you and to the nation my personal anxi-

ROME, May 7 (AP)—Hungarian Vice-Foreign Minister Janos Nagy arrived in Rome from Zurich today for two days of talks with Italian Foreign Minister Arnaldo Forlani and other government officials.

retrenching and its student rolls shrinking. In 1974, when the 17-school chain became eligible for the basic grant program, in had 846 students and tuition was \$1,020. That first year it received \$170,000, ac-

Retrenchment

Unul then, Empire had been

Empire.

the 22-year-old Pennsylvannia beauty-school chain which has headquarters in Portsville.

officials believe he is now in the Bahamas.

Mr. Carazo, who takes office tomorrow, has said he will eject Mr. Vesco from Costa Rica, and lass week he testified against grant-ing him citizenship. The nanonal legislature also went on record op-

ety in the matter."
The writer asked for time to "fin-

ish pending legal affairs so as not to be denied the opportunity to defend myself before Costa Rican

Hungarian in Rome

HEW to Begin Special Review

to cover 181 students. WILKES-BARRE, Pa., May 7

By last year, Empire was author-(WP)—In this city's classified directory, an advertisement for the ized almost \$1 million in federal funds to cover about 900 students. Empire Beauty School contains the Records of the Department of Health, Education and Welfare inunusual bold-face notation: "Gov-ernment Grants Available." dicate that attendance was up to 1,700 and tuition was \$1,300. In fact, Empire promises pro-

spective students with the urge to be beauticians that "We will assist you in securing federal grants, fi-nancial aids and loans." In a booklet designed for proon a bookiet designed to pro-spective students, Empire says that each federal aid program is differ-ent. "The school makes an evalua-tion of the individual, privately and Federal money has been a major ingredient in the recent prosperity

impanially."
"You don't bave to be poor to get financial aid is a key statement." the book tells its students. referring to federal programs.

in 1972, Congress passed the bil-lion-dollar Basic Educational Op-"Family income." according to the booklet, should be "middle to upper-middle income or less" to be eligible for grants. But it adds. portunity Grant program which made federal funds available for the needy to attend privately owned trade schools, such as "Students from families with higher income should speak with the financial aid officer at the school."

"Many of our schools would not be in existence today without grants." Empire's administrative manager George Schaup said. He claimed that "the education we give is superior to that which [public]

vocational schools give."
The growth of Empire illustrates a national beautician school boom.

The 1972 law "opened the floodgates," said Mark Lomery, of the Cosmetology Accrediting Commission. "Growth since then has been phenomenal." Mr. Lomery said.

His organization, whose accredita-uon makes a school eligible for federal funds, has grown from 200 schools in 1972 to 1,069 this year. Of 76,531 students enrolled in accredited beauty schools in 1976, according to Mr. Lomery, 40,000 were receiving federal grants or

loans, With 20,000 students attending nonaccredited cosmetology schools, the output of trained beau-

ticians appears to be far outrun-

Execution Delay For Alabamian

MONTGOMERY, Ala., May 7 (AP)—Convicted murderer Johnny Harris cannot be electrocuted when his 60-day stay of exeuction expires Tuesday, the clerk of the State Su-preme Court said.

J.O. Sentell said Friday that the court must set a new execution date for Harris before he can be put to death for the slaying of a prison guard during a 1974 not. The Harris case has gained the

Belgium is second. West Germany and France are third; Britain attention of Soviet journalists, who has the lowest proportionate numhave portrayed the black inmate as ber of road fatalities, the announcea human rights fighter who has ment added been persecuted by the state

Boom in U.S. Beauty Schools Linked to Federal Aid ning demand, according to Labor Department figures. The federally financed heautistanding much good could be done in the vocational sectors," he add-

were "oriented to provide access or choice" to needy students for fu-

But, Mr. Kornfeld said, some proprietary schools have told prospective students. "Come to school, it will cost you nothing [because of federal funds] and then they paint a beautiful picture for tomorrow."

In addition, according to a re-port by HEW's Office of the In-

specior General, there has been fraud, abuse and waste, particularly

among cosmetology schools.

HEW is about to begin a special review of the way beauty schools have handled federal funds. It is

part of a broader review of the more than \$15 billion poured into

student aid in public and private institutions of higher education in

the last five years.

The 1972 law was intended to

help the poor get jobs, said William

Gnul, assistant general counsel of the House Education and Labor

On Costa del Sol

MALAGA, Spain, May 7 (AP)— An estimated 50,000 hotel and res-

taurant employees on the Costa del

Sol continued a strike started yes-terday for higher wages, leaving thousands of foreign and Spanish tourists without hotel services, in-

Leftist-dominated labor unions,

which are negotiating for an increase of 8,000 pesetas (\$100) a

month for the strikers, said if their

demands were not met the strike

will be repeated again next week-

than 3,000 botels in the heart of this tourist belt from Malaga to

Cadiz west of Gibraltar were af-

fected by the striking workers.

Greek Road Deaths

Most in W. Europe

ATHENS, May 7 (AP)—Greece has proportionally nearly twice as

many deaths through traffic acci-dents as any other Western Europe-

an country, the Greek insurance

company union announced yester-

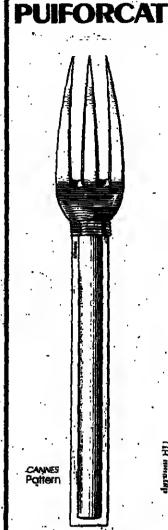
Labor sources said that more

cluding meals.

Strike Persists

cian boom has not gone unnoticed But now. Mr. Gaul said, there is HEW's deputy commissioner of education for student financial assistance, Leo Kornfeld, said recently that the federal programs concern "that many things may be out of hand. We are about to begin a process of review and evaluation

all the grant programs."
At HEW, sample audits last year directed by the department's Office of Inspector General found problems in more than balf the proprietary schools reviewed. Beauschools were particularly ques-



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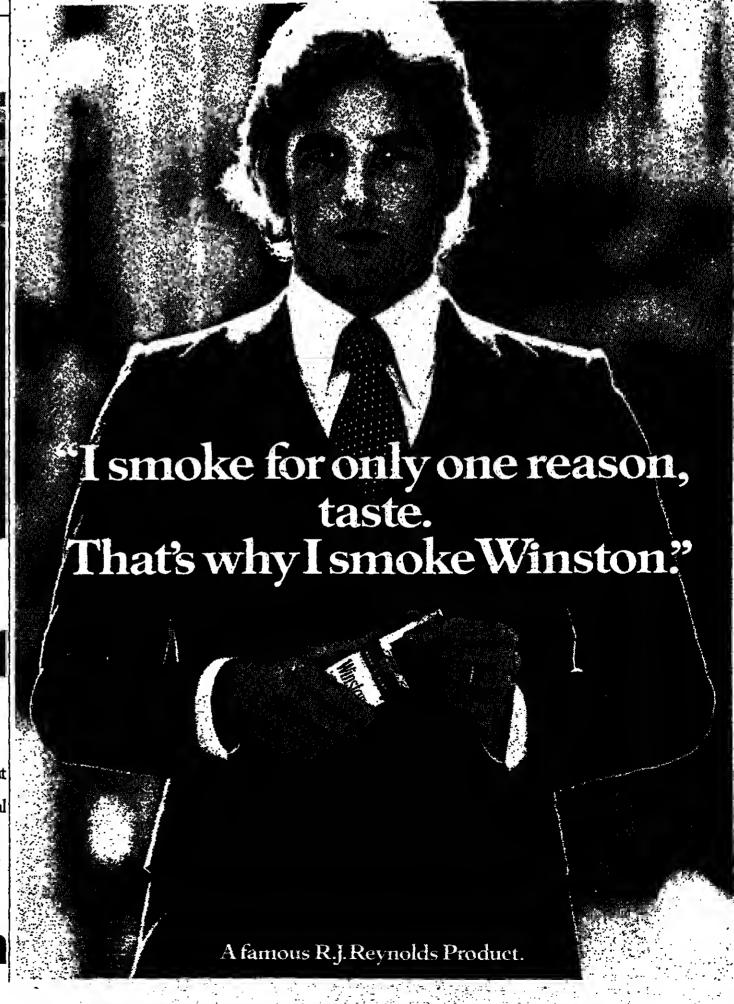
When Hermann Berthold inaugurated his letter foundry in 1858, the idea to offer the printers durable rules instead of the processes used up to then became a world success. The latest model of an outstanding product range is "berthold ads 3000," the total concept for composing origination, with keyboard, computer, visual display screen and floppy discs. To be able to show this high technical level, about 100 of the 900 Berthold employees are concentrating on research and development. Research and development programmes are supported in Berlin where middle-sized companies recently established

operate just as successfully as important international firms. For information on investment incentive programmes, promotion of research and development, tax advantages and additional possibilities in Berlin, contact: Der Senator fuer Wirtschaft 119/78

Martin-Luther-Strasse 105, D-1000 Berlin 62, Telephone: (030) 783 81 57, Telex: 01-83 798.

invest produce in Berlin

مك : اما بالأحما .



IT'S A CROC—But whether it's male or female we'll leave

to experts. In any case, the Indian ghasial crocodile emerg-

ing from its four-inch shell at Saklosia Gorge, India, is the

off-pring of a UN program to re-establish the endangered

species. Seventy-one baby crocs have been released so far.

Cigars, Pipes Now; Cigarettes Later

Many Reporting on U.S. Dissidents

to gather information, such as infil-

to gather information, such as infi-trating an organization, while a confidential source" was someone such as a college official or hank employee who merely passes along information gathered in the course of his regular husiness.

Mr. Adams also said at the Chi-

cago hearing that it is "possible" that one-fourth or more of the 535

informants active two years ago are still reporting to the FBI but are no longer classified as working in the

domestic security area. These infor-

mants, he said, are assigned to such organizations as the U.S. Commu-

nist party and have been teclassi-

fied as "foreign counterintelligence

Rare Occurence

FBI May Have Renamed Its Informants

By Bob Warden

CHICAGO, May 7 (WP)-festimony by a high-ranking FBI offi-cial in a civil suit here indicates that the bureau may bave many more persons providing informa-tion to it on suspected U.S. dissi-dents than William Webster, the new FBI ditector, asserted last

Associate FBI director James Adams testified in a sworn deposi-tion before the U.S. District Court here in March that parts of the bureau's domestic security intelli-gence operation were renamed more than a year ago, although their basic function of furnishing information on U.S citizens was

not changed. Declaring that "We are out of the husiness of investigating organ-izations simply because they say things that are unpopular in this country." Mt. Webster said Wednesday in a speech hefore the American Newspaper Publishers Association in Atlanta, that the FBI now has only 42 "domestic se-curity informants." That is fewer than 8 per cent of the 535 who, according to a recently released sworn FBI statement, were working

However, Mr. Adams acknowledged at the March Chicago hearing that the FBI still has a nationwide network of persons who never were classified as "informants" but

Other informants may have been similarly reclassified. Mr. Adams said, but it would have been a "rare

In April, 1976, the attorney general's affice tightened testric-tions on FBI domestic security investigations in the face of accusations that the FBI had conducted widespread illegal wiretaps and buiglaries against suspected U.S.

However, guidelines on investigations against those suspected of participating in foreign intelligence cases, if they exist, are classified. Also classified are the number of agents and informants engaged in loreign counterintelligence opera-

In the Atlanta speech, Mr. Webster said that there are 1,789 informants reporting on general crime activities and 1,000 reporting on or-ganized crime, in addition to the 42 miestic security informants. Mr. Webster mentioned neither

who provide domestic security in-formation to the hureau. As recent-ity as 1975, there were more than sources nor the extent of operations formation to the hureau. As recent-ly as 1975, there were more than 1.300 such persons and Mr. Adams reclassified from domestic security said that the number still might be that high but "it doesn't appear in

teclassified from domestic security to foreign counterintelligence.

An FBI spokesman said last week that a comparison of Mr. Webster's numbers with those of Mr. Adams was invalid because the teclassification had so complicated the figure that an analysis of them. These persons formerly were designated as "confidential sources" but now have no formal designation, according to Mr. Adams, In FBI jargon, an "informant" is someone who takes an active role the figures that an analysis of them was "like comparing apples and

Saudi Leader Sees Rise Soon In Dollar Value

BEIRUT, May 7 (AP)—Crown Prince Fahd of Saudi Arahia pre-dicted that the value of the U.S. dollar will begin to rise next month and reaffirmed his country's opposition to increasing the price of oil, a Beirut newspaper reported yester-

In an interview with Al Bayraq. the Crown Prince said that advocating an increase in oil prices when the dollar is falling is not a solution. Should the dollar deter-iorate to the linest level, it means the entire world economy would deteriorate, too, he said.

The interview with the newspa-per's publisher. Milhem Karam, coincided with the opening of a conference in Tail, Saudi Arahia, of oil ministers of the Organization of Petroleum Exporting Countries to consider the price issue.

His remarks in support of the dollar and in favor of holding down prices also comes as the U.S. Cungress debates President Carter's controversial proposal to sell Saudi Arabia 60 advanced F-15 jet fight-ers, along with the sale of planes to

Egypt and Israel. Crown Prince Fahd based his nptimistic forecast for the dollar on measures he said were being taken by West Germany, Japan, Switzer-land and the United States, which tities of gold in the market.

their first term of military service.

Below Emergency Needs

reserve is 47,000 below authorized

Nunn said in a speech prepared for

the Georgia National Guard Asso-

In Washington, Sen. Nunn re-leased part of the committee's re-

port that was added to the defense

"The committee continues to be

concerned over the ability of the active milnary to altract sufficient

numbers of high quality recruits . . .

the reserve forces are encountering

tive and reserve components," the

Even a revival of the draft ma-chinery that was all but dismantled by the Furd administration would

The current inactive Selective

Service System could only begin to provide druftees in limited numbers

or initial assignment to units seven

months after mobilization - a pe-

nod so long as to raise serious questions about our capabilities for

an intense war without warning."
The committee said that the Pen-

tagon should study alternatives including: Improvements in the ef-fectiveness and fairness of the

draft, a new standby draft which

woold include mandatury registra-tion, physical and mental tests of eligible youths before enlistment

und a standhy elassification system

and ways to improve recruiting.

he slow, the committee added.

ciation on Jekyll Island, Ga.

authorization hill.

committee said.

strength.

LIGHTNING ROD-This strange-looking hot rod is a tricycle built for speed. Designed by students at Northrup University in Los Angeles, the two-person tricycle reached a speed of 50.21 miles an bour at the 4th Annual Human Powered Speed Championships at Ontario (Calif.) Motor Speedway. Jan Russell was up front and Butch Stinson in the afterburner.

Held for 9 Months

Student Tells of Life In E. German Jail

WINDOM, Minn., May 7 (AP)— Alan van Norman, a U.S. student, fought off the munotony and uncertainty of an East German prison for nine months with humor and mental calisthenics. He even began looking furward to eight-hour inter-rogation sessions, which were bet-

ter than lying in his cell.
The 22-year-old former Bible-camp counselor had been sentenced to 212 years for trying to smuggle an East German family to

the West in the trunk of his car. He was exchanged last week for convicted Soviet spy Robert Thompson, who was released from a U.S. penitentiary in Pennsylva-nia. East German attorney Wolf-gang Vogel, helped arrange the trade. He arranged a similar one in-volving U-2 pilot Francis Gary Puwers in 1962.

For three munths, five days a week, eight hours a day, Mr. van Norman said here; he was questioned by a German-speaking man. Mr. van Normun sat in a corner. his back against a wall, and listened.

as a woman interpreted.

"They kept asking. "Who sent, you?" he said.

"Finally I said: 'Mr. Ed. the talk-1977 - were unable to complete ing horse. They gut angry with me, and said. Tell me about the plan. I said. Japan and Alberta [a Canadi-The Individual Ready Reserve is an province are planning to roll up Russia and send it in Mars. They 401,000 below emergency person-nel requirements and the selected

asked me if I would sign that." Back in his 9-fixet-hy-12-faotroom. Mr. van Nurman reviewed "For our reserves, the all-volun-teer force is a dismal failure," Sen, the day's questioning, trying to

make his story airtight.

You didn't like it when they didn't like it when they were quiet. either. That meant they were trying to nail you, digging up new infor-mation from somewhere. he said.

Attempt Failed

Mr. van Norman thed to hide what he knew — including the names of the people who ap-proached him at a Lutheran retreat even greater problems... there are in northern England in 1976 and eritical shortages of doctors and asked him to help get Dr. Juergen other skilled personnel in both ac-

Collision Splits Greek Tanker; Spill Held Minor

GORLESTON, England, May 7 (AP)—A Greek tanker carrying 12,000 tons of oil was cut in two in a collision with a Freuch ship in the North Sea off eastern England yesterday. A government spokesman said the resulting Oil-slick did not constitute a majur pollution haz-

Rescuers who went to the scene nine miles off the coast of Norfolk, said all that crew members were

safe and unharmed. The crew of a Royal Air Force helicopter reported that an oil slick about a quarter of a mile long and an eighth of a mile wide was drift-ing northwest, parallel to the Eng-lish coast. The oil has seeped from the severed front balf of the 12,680-ton tanker Eleni V. Tanks containing 8,000 tons of oil in the rear section of the tanker are believed to be

intact. A spokesman for the British Department of the Environment said some oil was bound to come asbore from the collision, but he added: "We don't consider this a major pollution incident."

The other ship involved in the collision was the 16.023-ton French-registered merchant vessel Roseline.

Earthquakes Hit Iran

TEHRAN, May 7 (AP)-Iran radin reported early today from Ar-debil near the Soviet border in northwest fran that several earth-quakes rocked the town but caused

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Germany. The attempt failed, upparently because road scales detected the extra weight in Mr. van

lorman's car. During his nine months in prisnn. Mr. van Norman did not see many people: the guards, eventually u roommate, a lawyer and a U.S. counsel. Human contact was a privilege, as were showers, books, a German-English dictionary, a walk around u small yard and choco-

He read books, played chess and

wrote letters home, trying to get hu-mor through the censots so that his family would know his mind was okay. And he looked forward to re-

turning to college hiology and theo-logical study.

"I had resolved that I was going to prison for 212 years and wanted to make the most of it. I didn't try to think about when but about what I wanted to do with my life. I knew I would came out sometime. knew I could stick this thing through." he said.

Elephant Kills Its U.S. Trainer; 2d Seized After Fleeing Circus

ROCK FOREST, Quebec, May 7 (AP)-An elephant trampled its U.S. trainer to death during a circus performance and another elephant that fled into a nearby forest in panic was recaptured

yesterday, police reported. A police sharpshooter killed the first elephant Friday night while it stood over the dying trainer. Eloise Berchtold, 42, refusing to let handlers approach. The second elephant, terrified by the screams of about 250 spectaturs, ripped through the circus tent and ran up the main street of this small town 100 miles east of Montreal and into

nearby woods. Police and circus workers ringed the animal and held it at bay for 16 hours until animal importer Morgan Berry, of Woodland, Wash., flew here. The elephant immediately responded to Mr. Ber-

ry, who had raised it, and was led back to the circus grounds. Mrs. Berchtold, also of Woodland, apparently slipped and fell during the Gatini Circus performance and the 6,000-pound elephant walked over her, according to a police spokesman. Circus workers tried several times to remove her body but the elephant would not let anviene near.

Spectators were evacuated from the tent while police summtoned a veterinarian. Several tranquilizing darts were fired but had a maddening effect on the animal, the spokesman said. Then the

U.S. Court Bars Canadian Boats

SEATTLE, May 7 (AP)-U.S. stayed his order for seven days, unfishermen have won a temporary til Friday, to allow time for an injunction blucking Canadian boats from fishing in Pacific coast-al waters off the U.S. District Court Judge Donald Voorrbees

London Times Warns Unions Of a Shutdown

LONDON, May 7 (AP)—Times Newspapers Ltd. has warned lead-ers of printing unions that it will shut the Times and the Sunday Times within two months if unofficial strikes continue to disrupt pro-

A spokesman for the company yesterday confirmed the ultimatum

after a day of gossip about it in Fleet Street, London's newspaper uarter. Sources at the company said the management wants new agree-

ments covering dispute procedures, wages, technology and staffing completed by Navember. Some of the factors in past disputes have in-volved staffing levels, wage dif-ferentials and demarcation lights between different unions. Union restiveness springs largely from fear that new machines will dis-place scores of workers, the sources

Labor disputes in the London plant cost the two newspapers a to-tal of E million copies — 20 per cent of their output — in the first three months of this year and the equivalent of £1.750,000 (\$3,237,000) in profits.

China Chief Affirms Support of N. Korea

TOKYO, May 7 (AP)—Chinese leader: Hua Kuo-feng told 100,000 North Koreans today that the people of China and the whole world "are on your side" and denounced what he called the U.S. "policy of aggression and division" in Korea. Mr. Hua demanded that the United States withdraw all its troops and military equipment from South Korea and said that North Korea "is the sole legitimate sovereign state. We do not recog-

sovereign state. We do not recognize the South Korean authorities."

PORTUGAL



uppeal.
U.S. authorities argued that the

order would strain relations be-tween the two countries. Canadian

fishing hoats have been allowed to

fish within U.S. waters since the

early 1970s hy reciprocal agree-ment between both governments. An agreement has been drafted be-

tween the two governments to con-

tinue the policy under the 200-mile fishing limits imposed by both countries, but has not yet been rati-

fied by Congress.









U.S. Said Planning Flight Smoking Ban

By Tom Redburn LOS ANGELIS, May 7-The Civil Aeronautics Board will issue a final order soon banning the smoking of cigars and pipes on U.S. commercial authors, according to

informed sources In addition, the sources said Fnday, the beard will move toward eventually chiminating eighterie smoking on airliners as well

The han on pipe and cigar smoking would take effect within 60

days after the order is issued.

Vietnam Is Restoring

Dien Bien Phu Site BANGKOK, May 7 (AP)-Vietnam is restoring the haitlefield of Dien Bien Phu, where 24 years ago Vietnamese torces overwhelmed a

French garrison.

The Vietnam news agency said today that plans were under way to restore baitlefield relics, build a victory monument, a museum, a tourist hotel and an aufield

destination

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If you dream of long aandy beachas.

tropical vegetation, a limpid sea warm

6.000-mile coastline boasts hundreds

of beaches: La Paz on the See of

Cortés. Cabo San Lucas, Guaymes,

Mazallan (the pearl of the Pacific).

Ixtapa-Zihuatanejo, world-tamed

Careyes, Puerto Vallarta, Manzanillo,

Acapuico... lo name only a few. Off

the Caribbean coast ere the delightful

islands of Cozumel, Isla Mujeres, and

tourists. But there's more to Mexico

than beaches and lalanda. There ere

the imprassive precolumbian sitea of

the old-world charm of colonial towna

cosmopolitan sophistication of Mexico

country there are excellent hotels in

well as international cuiaine. Thia year,

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structed its staff to draft an order prohibiting eigar and pipe smoking on airbners, but because of the intense controversy surrounding the issue, it was delayed months beyond the normal time. There had been speculation that the hoard

had quietly dropped the matter. Currently, most airline flights divide smoking passengers from nonsmokers by proyiding separate

sections for each, According to a CAB source, let-ters on the question received by the board have been running 4 to 1 in

fuvor of eliminating all smoking. The Tohacco Institute, the lobhying and public relations agents of the tohacco industry, circulated a petition earlier this year opposing ASH contended that separate the suggested ban and suggesting instead that smokers be placed on one side of the aisle and nonsmok-

ers on the other. "Each sninking und nonsnicking passenger," the institute said, "deserves equal confort, service, freedone from engine noise and access to exits." More than 130,000 tra-

Last November, the CAB in-velers signed the pention, the insti-

According to sources, the CAB will solicit further comments and may hold public hearings before determining whether to han eigarette smoking on airlines. A possi-bility is that the board may decide to eliminate smoking entirely only

on relatively short flights. The order hanning pipe and ci-gar smoking also will eliminate cigarettes on smaller nonventilated

The action was instituted more U.S. Senate Report Finds than two years ago by an anti-smoking organization called ASH (Action on Smoking and Health) that has long lobbled for restric-

aircraft sections for smokers and nonsmokers were not adequate to protect nonsmokers from what it called the objectionable effects of lubaccu smoke. Opponents of the han argued

that it was an unnecessary restriction on the freedom to smoke. Lan Angeles Israes

WASHINGTON, May 7 (UP) tee, said that 40 per cent of the en-the Senate Armed Services Comnuttee, concerned by the all-volunteer army's failure to attract enough recruits, has told the Pentagon to begin studying other ways to do the Job, Sen. Sam Nunn, D-Ga.,

Failure in Army System

Attution rates have usen sharply, the committee report said, and reserve force levels are dangerously helis emergency requirements. licen an inmediate resumption of the draft system would take preci-

strength, it said. Given the strain necessary to attract the current numbers of recrutts and the larger incremental costs of increasing force levels," the report said, "it should be clear that the all-colunteer force is a peacetime concept that is not now providing sufficient numbers of reserve personnel and would be hard pressed to provide additional numhers of active recruits should the national security require an expan-sion of current active force levels." Sen. Nunn. chairman of the mun-

Carlists March To 'Holy Mount' Without a Ban

nonarchist movement - today beld their traditional pilgrimage to their "holy mountain," commemo-rating the day in full freedom for the first time since the 1936-1938

Police said no incidents were reported as the pilgrims, many of them wearing red berets and carry-ing the white Carlist flag and red, white and green Basque flags, climbed Mantejurra mountain to hear mass, remember their dead

The Carlists split from the mainstream Borbon dynasty in the 19th Century. They sided with Franco in the civil war, but turned against

Under the influence of Carlos Hugo and other leaders, they have increasingly turned to the left. But Carlos Hugo recently dropped his pretension to the throne and was received by King Juan Carlos. The two are distant consins.

power and personnel subcommit-

PAMPLONA, Spain, May 7 (UPI)—Spain's Carlists — a leftist

and listen in speeches.
Prince Carlos Hugo de Borbon. In Salami Case

who was allowed to return from exile last year, led the procession. In previous years, he flew over Moniejurra in a small plane as his followers held the pilgrimage despite the ban, often harassed by police and righting. and rightists.

him when he picked Juan Carlos as the heir to the throne.

Italian Is Fined MILAN, May 7 (AP)—Amhrogio Molteni, co-owner of a large salami

company and involved in a case of rotten salami exports has been sen-tenced by a local court in pay a fine of 2.5-billion lire (\$2.7 million). The industrialist was convicted of smuggling but was acquitted of

more severe charges of forgery and fraud, thus avoiding prison terms. Mr. Molteni was tried in absentia since he has been hiding in Switzerland since an arrest warrrant was issued two years ago. The case concerned exports of salami made with exerement. The rotten salamis were not for sale. It was a trick for receiving government export hene-

2. Your mother **worries.**

(Another good reason to call home.) An international call is the next best thing to being there.

مكنامنالخص

Mondale in Australia for Talks on Refugees, Uranium CANBERRA, May 7 (AP)—U.S. Vice-President Mondale arriced in Acciralia today for talks likely to Mondales are claving, were heattly guarded gua

center around the increasing flow of Vietnamese refugees into Au-tralia and export of the country's

uranium denosits Mr. Mondale flew into the Australian capital aboard a presidential get with his wife, Joan, and son. Ted, accompanied by officials and 44 security men, after custing the Philippines. Thailand and

Mr. Mondale's arrical coincided with that of two more Vietnamese refugee heats in the northern pon of Darwin, the latest in the stream of refugees that is causing the Aus-

tralian government serious concern. The latest arrivals, with 70 persons abourd, make a total of 41 houts and more than 1,200 refugees guarded nonhern coast in the last three years. who have arrived on Australia's un-

Officials Fear Disease

Australian officials have expressed fears that such uncontrolled immigration could spread tables, cattle virus, malaria, typhoid and cholera, diseases from which Australia is now free. Australia would like to see the

United States take more of the Vietnamese who arrive in Austra-Mr. Mondale was met at the Canberra Royal Australian Air

Force base by Australian Foreign

Minister Andrew Peacock and U.S. Amhassador Philip Alston. Unprecedented security surrounded the once-president for his 7,45 p.m. arrival. Bridges, intersections and huildings along the route

Errett Scribner, Representative Of Kansas, Dies

COCOA BEACH, Fla., May 7 (AP)—Erreit Scribner, 80, who represented the Kansas City, Kan., area in the House of Representaneed for 15 years, died Friday.

Rep. Serihner was elected to Congress in 1943 and was the rankmg Republican on the House Military Appropriations subcommittee. He also was one of the authors of the GI Bill of Rights and is credited

with introducing the lirst revenue-sharing proposal, foreshadowing the legiclation that passed nearly 25 In 1958 he was appointed assistant deputy secretary of defense by President Dwight D, Jasenhower.

Stefan Peterfi

MEXICO CITY, May 7 (AP)-Stefan Peterfi. 71, one of four Remainian vice-presidents, died vesterday of an apparent heart at-tack at the Mexico City airport while waiting to board a plane, a spokesman for the Mexican For-Men Ministry said

Mr. Peterfi was the highest repreentative of Romania's Hungarian unority of 1.7 million and a noted nentist. He was elected chairman not March of a newly set up Counil of the Working People of Ma-gyar [Hungarian] Nationality, folluving reports of alleged official suppression of Hungarian and wher minorities

Manzo Nomura

TOKYO, May 7 (AP)-Manzo Nomura, 79, homored as a living national treasure for his perfor-mances in traditional Japanese Kyngen comeds, died of cancer yester-day.

Kyla Obit SANTA MONICA, Calif., May

7 (AP)-Pioneer modern dancer Maya Kyla, 68, who studied under Martha Grahame and Agnes DeMille, has died here.

Roberto F. Giusti 3

BUENOS AIRES, May 7 (AP)-Roberto F. Giusti, 91, a literary entic, politician and author of more iban 20 books, died here last night.

Passman Weighs Plea Bargaining

ALEXANDRIA, Va., May 7 (UPI)—A lawyer for indicted for-mer congressman Otto Passman vesterday said that plea-bargaining arrangements have been discussed, but nothing definite has come of

He said that Mr. Passman rejected a Justice Department offer to drop some charges against him if he would plead guilty to a felony.

Mr. Passman, 77, was indicted March 31 by a federal grand jury in Washington on charges that he conspired to receive \$213,000 in illegal payments from Korean bus nessman Tongsun Park from 1972 to 1976. He was indicted again April 28 on charges of evading more than \$77,000 in taxes by fail-ing to report \$143,000 in income.



lelephone 01: 211.53.60 Telez 52 845 savoy ch.

stepped up ite internal security measures since the February bomb-ing of the Sydney Hilton during a regional Commonwealth heads of government meeting. Three persons, all city council workers, died in the blast

ABOARD CARRIER FORRES-

TAL, in the Mediterranean, May 7

INYT)-A Phantom fighter-bomb-

er roared down the flight deck into the morning sun. The dac's work

The Forrestal plowed through the mist. On the horizon the frigate

Aclwin, one of its escorts, hounded

on the swell. One by one, two by

two and sometimes four at a time,

deck, some to make umulated at-

tacks on an accommodating Italian

frigate, some to practice bombing

techniques. A Hawkeye lifted an unganity 37,000 pounds to take sta-tion as an intercept and early-warn-

carious colored shirts, they ges-tured to the pilots, slapped the deck

and, when the affectaft was

launched, fell on their hellies in the

wreaths of steam from the cata-

Small Fire

The night before there was a small fire forward. The iron clamor

of the hell sounding general quar-tere was followed by the clatter of

hundreds of feet on the way to sta-

tions. The sailors came down the

passageway, young, alert, running hard toward the fire

the fire had been put out. Rear

Adm. Robert Schoultz, command-

ing Carrier Group Two, lictened approxingly as Capt Peter Booth, the skipper, complimented the crew

on its professionalism in an emer-

when people say this generation with work, won't light," the admi-

ral said. "You saw them You saw

the way they work on the flight

deck and in the engine rooms

the I arrestal is part of the Sisth Fleet. If "the kids are good," as the

tomal and-or NATO authorities to

moure control of the seas and air

8 Task Forces

ed into eight tack forces based on

escorts, cruisers, destroyers and fri-gates. The combined elements of

reinforced Marine hattalion sup-ported by tanks and guns, while

Task Force of it made up of am-

philitous assault ships, attack tran-sports and cargo vecsels

marines armed with Pularis ballis-

He migules make up Task-Force 64

Task Force 66 is the anti-subma-

rine force, which coordinates all

anti-submarine warlare in the fleet.

ceillance aircraft. In Tack Force 69

Nuclear-powered strategic sub-

operational requirements.

The currier group centered on

These are good boys.

"Sometimes at home you get sorc-

In the quiet of his quarters after

ing arreraft

aircraft swept off the flight

Apart from a wreath laying cete-mont and a dinner with Mr. Fraser at his olficial residence toniorrow night, Mr. Mondale has no other

then lunch with the U.S. anihasca- first high ranking member of the Carrer administration to cisit Aus-

igagements before his departure, beel industry is cuffering a senou-

the fifth scenario calls for U.S.

naval support of Icrael in an Arab-

Israeli war. Gicen Israel's milnary

superfortic over any combination

but it is a hypothetical operation that is accorded high priority by

Arab forces, this appears remote.

The sixth of the unthinkables

that Adm. Train and his staff must

think about it a conflict in the Mid-

dle Last that involves the Societ

Union and Saudr Arabia or the

tiull states or Iran, separately or

strategic considerations, Comdr.

James Ever took the view that his

men and his ship were up to any intesion. "The sailore ask more questions," he said, "but give them

anything lough to do and they do it. Sometimes, I don't think the

Back on the Forrestal, a master

chief petty officer named Bair, in-

ecuably known to ureverent sailors

as Yogi, was concluding his nightly

appearance on closed-circuit televi-

necklaces and watch where you throw Peper-Cola cans," he told the

crew, alluding to the more relaxed

discipline of the Navy nowadays,

"But con did cery well in the flights

today. Keep it tip. It's just called professionalism.

sion. "You have to stop wearing

country deserves such kids."

Un the Aclain, far from these

the mission

reflectively

Sailors Ready for War

Sixth Fleet—Just Professionalism'
By Drew Middleton to the Heet at present all nuclearpowered. Least noticed but indicate that the Sixth Fleet could handle pensable is Task Force 63, the sertice force that provides fuel, sup-

plies, ammunition and repair. Lo leave the frenetic actions aboard the Forrestal lot the flagship, the guided-missile cruser Albanc is like going from the floor of the Stock Exchange to the boardroom of a bank

Oil Must Flow

Although Harry Train, the ciceadmiral who commands the fleet. has the quiet, assured air of a corporation executive, when he eketches his command's responsibilities those responsibilities have larger dimensions. There are, he pointed out. 10 billion harrels of oil moving The crews on the flight deck were hard at work. Helmeted, clad in through the Mediterranean on any given day 50 per cent of the oil consumed by 1 S, partners in the North Atlantic Treaty Organiza tion is refined in Europe and, Adm fram and, "the oil must get there"

> That is only one of his concerns. There are six scenarios that he and, the fleet muct be prepared to action out in war, he continued

The first is to eniphy carnerborne anciaft to support allied ground forces fighting an measing of northern Italy by Societ and other Warcaw Pact forces moving out from the Gorizia Pass from Yugoclavia. The second is to use aircraft and other resources to help NATIT forces fighting a Warsaw Pact measion from Bulgaria into Greek and Turkich Thrace, an invation that, if successful, would give the flastern bloc control of the waterways leading from the Black Sea to the Mediterranean

The third scenario envisages attsupport of a land war after a Soviet inclinion of eastern Turkes. Their there is the prospect of a naval war. independent of land operations Deepije the growth of the Third Squadrin of the Soviet Black Sea. Heet deployed in the Mediterranean, neither Train nor his task-

petty officers say, they had better be, for the fleet's mission is as chal-lenging as any facing a U.S. naval force in peace. It is "responsible for conduct of naval operations as New Train Line In U.K. Today may be directed by competent na-

TONDON, May 7 (AP)-Braish within the Mediterranean Sea, the Rail will open a new service fornorea and ashore in countries row hetween London and I dinconfigurate to or near the Mediter- burgh at speeds up to 124 notes an

fine Inter-City 125 service will To earry out its mission the fleet hours, 52 minutes, 35 minutes fasthas 40 to 50 ships, 200 aircraft and or than the corrent 100 nigh Inter-23,000 to 25,000 in its crews, divid- 1 ity trains

Tates will be the came as for other trains on the route. Six diesel-The cutting edge is Tack Force powered trains will open the new 60, consisting at the moment of two vervice. More will be added as the attack attends carriers, the Forres- London-Ldinhuigh trains now optal and the Nimitz, and their crating are phased out

two other task forces, 61 and 62. U.K. Mice Embryos procide amphibious-landing capability. Tack Force 62 included a Survive Deep Freeze

LONDON, May 7 (UPI)-Scientrite have successfully recreed nuce: embryou frozen in suspended animation five years ago, according to

a London medical researcher Dr. David Whittingham, of University College London, iold the Royal Society last week that mice frozen in liquid nitrogen as 3-dayold embryos face years ago were: and Task Force 67 is a shore-based thawed out earlier this year and imgroup of anti-cubmarine and curplanted into a female mouse. She gave birth to an apparently normal are the attack cubmarines assigned. Inter last month

Who flies 747s to all these US cities?

Boston Detroit Honolulu **New York** San Francisco Seattle Washington

With more 747s than any other airline,we fly you by 747 to all these US cities. So you empy more head noora. leg room and spare to walk about in Plus eight music channels," two films to choose from," three different menus in Economy Class and the andy 747 First Class upstairs dimingroom. (Be sure to heads your table when you reserve PAN AM

vour scat.) "Nomined charge in Fromoure Class

Pan Am's People

Mr. Fraser also ic expected to express pessimism about the state of world trade and what he sees as an increasing move toward protection-ism and high tariffs by descloped countries, particularly the European Economic Community.

Mr. Mondale is reported to want to discuss Australia's uranium policy, which is a major political issue in Australia. Recent discoveries in northern Australia have indicated Australia has one third of the world's easily recoverable high

grade uranium. The Australian government, however, has put strict conditions on its export, specifically that cus-tomers would have to guarantee that they would not reprocess reactier waste to plutonium, or use it for

Hummingbird Is the Latest Electric Car

OKLAHOMA CITY, May 7 (AP)—Another attempt at a practical electric car has been unveiled — the Humminghird. which has adar cells on the roof, no trunk space, a Volks-wagen Rahhit body and a

\$7,900 price. Lea Hassell, sales director for JMJ Electronics, said his firm. working with Electric Passenger Car Inc., will have the Humminghird on the market within

He said the car can be operated for about one cent a mile.

The car can reach 65 miles an hour, Mr. Hassell said, it has to he recharged every 50 miles or so, he said, although a recharger gasoline-powered — can be used while the car is running.

The short range and the lack

of storage space — the hatteries are in the trunk — means the Humminghird is designed to serve as a city or second car.



BATTLE HARDENING—A young boy joins a group of militiamen training — with sticks in lieu of rifles — at an Eritrean Liberation Front camp near Mandefera in the Eritrean province.

Eritrean Rebels Set to Fight Each Other

Beirut, May 7 [AP]—An Eritrean rebel group all but declared war on two other rebel factimes today, despite the helief by all three groups that Ethiopia is prearing to mount and called on the followers of the

a major offensive against them.

The Popular Liberation Forces of the Eritrean Liberation Front (i LF-PLF) rejected an ultimatum hy two other guerrilla factions to merge with them within two

months or be crushed. statement distributed by the ELF-PLF affice here.

"We shall not be the first to choot." the statement said, "But we chall not shy away from doing battle. The aggressor will be made to pay dearly

The declaration was in reply to a tions," the television quoted the joint statement issued by the Erihigh school teachers and principals tiean Liberation Front's Revolu- as saying.

Begin Is Criticized By Israeli Educators

JERUSALEM, May 7 (AP)—One tonths or be crushed. hundred and lifty Jerusalem educa-This ultimatum is tantamount to tors 'criticized' Prime Minister a declaration of crvil war, said a Menachem Begin's attitude to opposing viewpoints in a letter addressed to each of Israel's 120 parliament members, Israel television

reported yesterday. "This government refuses to deal with criticism and sees its critics as quarrelsome people with bad intentions." the television quoted the

ship and join the unity movement within 60 days. "Otherwise, we shall crush you by force," said the

ultimatum that has been hroadcast daily by Sudan's Omdurman radio. The ELF-RC and the EPLF, the two groups that agreed to unite last month, form a majority in number and equipment in the rebel movement. They advocate a Socialist system in post-independence Eri-

Both accuse the ELF-PLF of having a weak power base and of aligning itself with conservative

Vatican Beatifies Nun

VATICAN CITY, May 7 (AP)— Sister Maria Enrichetta Dominici, an Italian nun who lived in the last century and worked in India, was beatified today in a ceremony as St. Peter's Basilica.

Westdeutsche Landesbank, a leading wholesale financing institute, achieves



Westl B's pervice emphasis on wholesale linaur may both all home and aby sail an advistmentile. eiged the Bank's market peration and Inought in excellent results for the 1977 litrain of year. The Bank's are in balance short total advanced by a 13 Specient to DM 87 7 billion, with an after jax. supplies of DM 17.5 million. The Bank's international. To the syndication 13 demostic USIS issues. Le ditte and participations in hidraphychidly estro di crembonici ali subaty WestEBlider. sale out S.A. contributed side annually to the

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25, 32 Area of the HS 5 666 million. Viol. 31 Box as reconcepted for 41) synathrated loans.

that the area of the RBD and here, who have request

to be only the reservoir control growt wall 35 this of the resident the Bank work absolutely manager received and all I also oblige. The Bank's vital the service of the Lorentz of Lacres in the Lightin the transport of a constant of or amount of Dy the Earth 2. Chief Barra hald a companyour, 48. to your and a total 178 DM come.

مكنامن الأجل

If also was in the management of 10 of the 42. indivate placements in DM. WestLB was in the management group of 51 public issues and ringvato platiements for Euro issues mother cur remines. The Bank also participated in 151 others. non-DM assues, and withoUS it was a member

headiblion, WestLB played a rhambaut role to domeste DM loans to international borrowers on · a form term food interest basis. West B's strong- cognitionerate senior personal adviction the light is of money management are conflect for a continued; user anther Informational institutional investors are retire of postorius market maker in fixed interest

Foreign exchange operations benefited from the ... Bank's cherit oriented advice anoidst increasing concerns an expandes international conjungical banking activities such as letters of could play med transfers and export high any occeased. substantially reflecting limit quality and rapid $-\frac{1}{2}$ herd services and closes contacts with recorespondents Local cost braneing lacilities through the Bank sudernational network were also used -extensively. Donneshrally the Bank enjoyed a particularly leveralable inflorm in long form. blane has been appointer clients. Long been turgers. credits as corporation with Gramon export efforts. aborate aveid attrahove average growth.

West Bases 508 by assumed complete wenneston at the Heavy know based more hant bans ASiAC With its dynamic and flexible intercational capitables. West Bespects to further edictoration deposition as also fillneworld's _= map they leade frame representatives

A strong force in wholesale banking VVest_B

Westdeutsche Landesbank

Page 6 Monday, May 8, 1978

Adventure in Angola

South Africa's paratroop strike at guerrilla bases deep in Angola must have been meant to appease hardline whites who condemn Pretoria's acceptance of a Western compromise for the independence of South-West Africa (Namibia). The raid also in effect notified the South-West Africa People's Organization (SWAPO), whose camps it hit: Accept the deal or risk a more savage war.

The Western plan calls for a cease-fire in Namthia, withdrawal of most South African forces and United Nations supervision of elections for a constituent assembly. SWAPO's leaders have hesitated to accept it. fearing that once they lay down their arms South Africa will renege and leave them helpless. After the South African raid, they may find acceptance politically impossible.

If SWAPO rejects the Western proposal. South Africa is ready with its own plan for Namibian independence, including a constitution that would guarantee a political veto to the new country's white community (12 per cent of the population); it would also prolung the protective presence of South African troops. That, we suspect, is precisely what mulivated the strike so deep into Angola. And that is why, despite Pretoria's claims

of provocation, the raid deserves the strong condemnation of the international communi-

The action is also suspect on military grounds. SWAPO's 2.000 guerrilla fighters may annoy the South Africans hut they pose no threat that justifies attacks on targets 150 miles north of the Namibia-Angola border. South Africa has merely provided one more justification for the presence in Angola of

Cuban troops. South Africa's raid came on the heels of a special session on Namibia in the United Nations General Assumbly, which four years ago recognized SWAPO as the "sole and authentic representative" of Namibia's peoples. The assembly took no formal notice of the Western efforts to find a compromise for independence and contented itself with a ritualistic appeal for "comprehensive economic sanctions" against South Africa.

More useful would have been a descent from these glades of rhetoric to the stony ground of real politics and a bid to SWAPO to accept the Western proposal before South Africa completely undermines the solution it

claims to have bought.

THE NEW YORK TIMES.

Peace-Keeping in Lebanon

The incident in which three United Nations soldiers were killed in southern Lebanon the other day goes to the heart of the problems the international community frantically thrust upon the world body when Israel intervened in Lehanon earlier this year.

To induce the Israelis to withdraw, something had to be done to prevent Palestinian guerrillas from easily resuming from southern Lehanon the raids into Israel to which Israel had responded by its invasion. The United Nations, which was keeping peace already on Israel's borders with Syria and Egypt, was hastily recruited. If people had focused sharply on the difference in Lebanon, however, one wonders whether the United Nations would have been assigned the Job.

In those other places, very fine-grained agreements were worked out before the peace-keeping units were sent, and the established governments that worked out the agreements accepted responsibility for pulting them into effect. In Lebanon, almost none of the detail was worked out in advance and, most important, on the Lehanese side there has been no single established authority with which Israel and the United Nations could deal. The Lehanese government's writ simply does not run in southern Lebanon; it has no army to speak of. The Palestine Liberation Organization claims to speak politically for all Palestinians, but it lacks operational control over diverse Palestinian units and individuals in the area. That is the swamp the United Nations is in.

In the incident Tuesday, Palestinians apparently not under the control of the PLO shot up a UN contingent. The PLO, which has vowed to cooperate in the particular issue of the safety of peace-keeping personnel, set out after the offending guerrillas. But, meanwhile, the UN contingent reduced its patroling, thus raising the critical question of whether it is or will become a UN practice to retreat under guerrilla intimidation or whether, as one must hope, the peace-keeping force was merely making a limited and temporary adjustment.

On Wednesday the Security Council reaffirmed its confidence in the peace-keeping potential by deciding to add 2,000 men to the 4,000 already on station. The fact remains that in undertaking to ensure the "peaceful nature" of the border area, the United Nations has tackled a project that the Lebanese government, the Christians of southern Lebanon and their patrons, the Israelis, had not previously been able to perform. Indeed, under the best imaginable circumstances the United Nations could not expect to stop every infiltrator, given the terrain; nor to prevent guerrillas in the zone to the north from firing long-range guns at Israeli border villages; nor to halt Palestinian raids launched by sea from places like Tyre, a Palestinian redoubt that even the Israelis were loath to take on. In the circumstances, the Israelis have reason to want to see their nemesis, Yasser Arafat, tighten his authority over the undisciplined extremist elements in the Palestinian movement, as unwanted by Tel Aviv as the political results of that tighter control might be.

The United Nations is working on a military aspect of a problem whose essence is political. It is the Palesunian problem. No tranquility will come to southern Lebanon, or to Lebanon as a whole, or to Israel, while the legitimate grievances of the more moderare Palestinians are unresolved. That may not offer much consolation to the UN forces under fire. But it should remind the parties to the peace negotiations of the perils that lie ahead if no progress toward a comprehensive Mideast settlement is made.

WASHINGTON POST.

International Opinion

The Two Germanies

One of the subjects nearest the center of Mr. Brezhnev's preoccupations in Bonn this week must be relations between East and West Germany. This remains the heart of the European problem ...

In West Germany there is no significant interest in reunification, if only for the simple reason that life is not at all bad as it is.

The situation in East Germany is less predictable ... There have been growing symptoms of social and political stress. None is serious enough to threaten a breakdown of order, especially with about 20 Soviet divisions in occupation ... The difference in living standards between the two parts of Germany is widening ... Unless the East Germans can offer a reasonable prospect of narrowing the gap with West Germany the expectations aroused by open exposure to the wealthier and freer life of the west will rentain a constant source of trouble and a stimulus to thoughts about reuniting the two states.

From the Times (London),

Lockheed Sale

They do not love us in Hartford, Connecticut. Mr. Harry Gray, chairman of Pratt and Whitney, the U.S. aero engine makers, is protesting about the success of the British in winning a contract [to sell Rolls-Royce engines to Lockheed for its TriStar airlines] ...

We are very fond of the Americans and want to do as much trade with them as possible. Indeed we want to sell them more engines. But it is plain ludicrous of American businessmen to start grizzling about hard

selling with government guarantees behind it. The Americans themselves created a Buy American Act which required work in certain fields to be awarded prescriptively to U.S. companies unless foreign rivals could undercut their tenders by 50 per cent ...

It is rather enjoyable for the British to be accused of cutting corners and aggressive commercial practice. We have spent far too long as perfect gentlemen not trying very hard to win. The linip and passive image of the British, as other people with sharper elbows passed us on the inside track, ought to

From the Daily Express (London).

In the International Edition

Seventy-Five Years Ago

May 8, 1903 GENEVA-The chief medical officer of the United States Army, Brig. Gen. O'Reilly, and his staff will visit Switzerland early in the summer for the purpose of studying Swiss hospital methods. A prolonged tour is projected, including the principal towns. An elaborate report will be pre-

pared, and the medical profession here is plan-

ning a big reception for the foreign guests and will afford them every facility.

and the second s

Fifty Years Ago

May 8, 1928 PLYMOUTH-Six German deserters from the French Foreign Legion were landed here today hy the Dutch steamer Commewyne instead of at Havre, where it was feared they might have been recaptured by the French authorities. They boarded the steamer in Paramaribo, Dutch Guiana, after they had deserted in French Guiana, The German consul provided them with clothes, money and food.



Carter's Personal Dilemma

By James Reston

WASHINGTON-There has White House for quite a while that the only way Jimmy Carter could hope to he a two-term president was to act like a one-term president - speaking out for the public inter-

est as plain as a punch in the nose. Carter has fiddled with this po-pulist notion from time to time, as when he roasted the big oil compa-nies and members of Congress on the energy problem before retreating and proclaiming a "partner-ship" with Capitol Hill. But lately, as his standing in the popularity polls has dropped, he has been out-spokenly critical of Soviet policy in Africa, Israeli policy in the Middle East, and, most recently, almost provocatively critical of lawyers and doctors here at home. About this time, almost halfway

through the first term, most recent presidents have found themselves in a slump between the end of the honeymoon and the struggle of the next election, and have had to de-cide whether to fight or compro-

Which Road?

Truman, Kennedy, Johnson. Nixon, and even Eisenhower, faced the same problem, and dealt with it in different ways. Now Carter has come to the same fork in the road. and Washington, including his elosest advisers in the White House and the Cabinet, are watching to see which road be will take.

There has always been this puzzle about Carter — whether the smile on his face or the chip on his shoulder would prevail. But his at-tempt to do both has not been working with the Congress or the press or his friends and adversaries overseas, who still can't figure him out. So he is probably going to have to choose, or at least change the popular impression that he is "indecisive": Mr. Nice Guy one day, and Mr. Tough Guy the next. Carter ran for the presidency on

the proposition that what this country needed was a government as good as its people—fair, decent, unselfish, idealistic, if we could only get Henry Kissinger and "the Washington bureaucracy" out of the way, he suggested, then we could revive faith in our government, and eleanse the pollution of Vietnam and Watergate, and establish the republic once more as the political and moral leader and defender of the ideals of Western Civ-

Noble Objective

It was a noble objective, and nobody should minimize Jimmy Carter's faith in it, but he has discovered in the last 15 months that things are not all that simple: that the Democrats in the Congress do not follow the lead of a Democratic president; that there is very little party loyalty between elections (and maybe nor even then); that big business and big labor, the blacks, the farmers, the allies in Europe, Israel and Laun America and Japan have their own special interests, lobbies, and that the Republicans, all 38 of them in the Senate, are proclaiming publicly that his foreign policy and his economie policy at home are not only not working but that the people of the United States are disappointed

in his performance.

In other words, Carter is now up against considerable evidence that maybe his moral premise was wrong: that maybe the people were not all that generous and unselfish but that maybe they were greedy and self-concerning. This has been a bit of a struggle for Carter per-

Confronted with all this opposition, he is now beginning to turn to the people for support, and this may not he a bad political judg-ment. Despite his decline in the popularity polls, he has more confidence with the people in general than with the politicians, the press, the universities, or the Inbbies for special husiness, labor union. farmer or foreign interests.

More Votes

The guess here is that he will pick up more votes in the end than he will lose by insisting on human rights ubroad, and on fair legal and medical fees at home. For the moment, the blacks, the farmers, the unions, the liberals, the editorial writers, etc., are all cutting him up, but he is probably in better

than with the "elites" and the lob-Carter's trouble in the last 15

months is that he has been trying to satisfy all these conflicting interests, but he is discovering that there is a fundamental difference hetween how to win an election and how to govern after you win. This is where he is now, and he seems to he saying that amid all this confusion of parties and special interests. the thing to do and say is what he thinks, be faithful to himself, and leave all thoughts of a second term to the judgment of the people later

Obviously this means that he has to change his own approach to is-sues and politics. If he is going to serve "the general interest" and rely on the judgment of the people,

he cannot defend Bert Lance one day, and raise the minimum wage the next, proclaim "human rights" in the Soviet Union and South Africa and Rhodesia, and ignore them in South Korea, and the Philip-pines for strategic reasons.

Dilemma

This is a fundamental political and philosophical dilemma for Jimmy Carter, even a theological question, which he hasn't yet resolved. He has been trying to play the game both ways, being very moral on one hand, and very clever and political on the other, but he is now trying to sort out these contradietions or compromises in his own mind, and come up with an answer that satisfies both his conscience

him that there is really no contra-diction between these two points. That unless he is faithful to his own ideals, he will lose the confidence of the people, and unless he makes up his mind to do what he thinks is right in his first term, no matter what the politicians think of it, he can forget about a second term. In short, the way to win in 1980, they are telling him, is to be willing to risk losing on every issue between now and then.

His closest advisers are telling

Nobody knows, not even his closest friends, what he will do with this problem. Most of them think he's going for broke, particularly after his latest trip into the West, but they are not entirely sure, and they are watching him very careful-

are mainly passengers in an air-

Though increasingly versatile electronic equipment is being de-

veloped to permit instantaneous

scanning and jamming of the other

side's signals, great value is still put on "collecting" those signals so that they can be stored in a computer for swift recognition and response. Thus the value of provoking the

other side into turning on its elec-

tronics so that cavesdropping re-

corders can carry them home for

Survivability

lutionary technical developments

of military value, the effects of the

new electronics range far. With the

United States generally regarded as well ahead of the Soviets in packing

more electronic capability into less

space, the Defense Department is

pushing hard to restrict export of the underlying know-how. And to keep ahead, it is looking for ways

to restore the close, university-

based science link that it lost dur-

ing the Victnam war. One ironic

concern is that the civilian electron-

ics market now so far exceeds the

military's relatively small and highly specialized needs that the mili-

tary services aren't getting the at-tention they could formerly com-

Developments in military elec-tronics also affect military planning

and budgets far beyond the imme-

diate costs and capabilities of the

gear for jamming and counterjam-

ming. A major element in the deci-sion not to build the B-1 was the

expectation that our aging force of

B-52s, though far slower-moving

than present-day interceptors, could be equipped with what amounts to electronic armor

against Soviet defense forces. And

though the Cruise misside is too small to carry any significant amount of jamming gear, its survi-vability is based on plans for elec-tronics-laden aircraft to "jam" it

Against this background of rag-

ing electronics competition, what's

amazing about the Soviet response

to the errant passenger plane is not that they shot it and forced it

down. Rather, given their relative backwardness in electronics and in-

difference to nice-guy ratings, what's astonishing is that they let it lumber around the Murmansk skies

for nearly new hours before they

The electronic riches from that episode will keep U.S. analysts

husy for some time.

through Soviet defenses.

mand.

As is usually the case with revo-

horne electrunic maze.

The Risks of Electronic Spying

By Daniel S. Greenberg

WASHINGTON—Zoom lenses and electronic listening devices in U.S. space satellites regularly collect extraordinarily detailed data from every part of the Soviet Union. And, though not happy about it, the Soviets oevertheless sit still for that long-range portraiture. Why, then, did they recently gun down a South Korean passenger plane that, by all accounts, innocently blundered over their territory near Mur-

mansk? A good place to look for the an-swer is in the plane's inadvertent military planners, the urgency of involvement in the closest thing to sniffing out the other side's elecwar now going on between the two superpowers: deliberate borderarea intrusions designed to provoke the other side into revealing its electronie capabilities. We do it to them and they do it to us and our friends, all in the course of a freewheeling electronics competition that is one of the fastest growing and most secret aspects of the

Provoking

Shooting ineidents in this catand-mouse game are extremely rare, since the intruders - unlike the errant passenger plane — usually scoot away as soon as they have provoked the other side into activating, and thus revealing, its warning and defense systems. And the game goes on, spurred by the realization that an endless surge of new developments in electronics has become the centerpiece of military competition between the United States and the Soviet Union.

The value of being aware of the other side's electronic capabilites was devastatingly revealed in the opening phase of the 1973 Yom

Kippur war, when electronic jamming devices aboard Israeli aircraft were unable to neutralize the radar guidance of the surface-to-air missile systems that the Soviets had supplied to the Arabs. Reports have it that the Israelis lost more than 100 aircraft before a rush shipment of newly devised U.S. jamming equipment enabled them to counter the missiles' guidance

radar.
With that experience, plus similar events in the Vietnam war. tronics, while advancing one's own. has been accorded the highest prionly - just short of the point of risking direct military contact.

This competition has led to the development of an endless series of measures. followed by countermeasures, that, in turn, lead to counter-countermeasures, and so on. Thus, knowledge of the frequency on which a defensive radar operates permits the offense to generate a jammiog signal that can "blind" the radar or feed it erroneous data as to location of the intruder. The jamming signal, how-ever, is a giveaway that the defense can use for homing in on the mis-sile — unless, of course, the radar guiding that missile is jammed by still another signal.

Electronic Maze

The oecessity for split-second moves in the race between signal and countersignal accounts for the fact that immensely complex. though miniaturized, computers are becoming standard equipment on comhat aircraft. Between takeoffs and landings, today's Red Barons

Letters

Press and President

Re: "Savaging the President" by Anthony Lewis and "Dancing on Borrowed Time" by Lurie (IHT. April 25): It would have been a great day in

journalism if tHT readers had seen a cartoon showing the new boy io town (who else but Carter) being harassed by the local bullies (who else but the press). If that is too much to hope for, I bope that An-thony Lewis's column was read

What I really wanted to say is that the whole subject has become a daily bore — a cliche — which lerrifies when one thinks about the extraordinary seriousness of the situation. The press must be more straightforward with the facts and not so entertaining with colorful columnists.

BETTIE COPELAND.

'Never Nude'

Re: Article on the performance of "Saneta Susanna" in Rome IIHT. March 41:

Unfortunately, I have been detained for some time, but the fact remains, that this article has disturbed me greatly. The information was totally

incorrect. I was not oude or semi-

nude during this performance. The "nude" was an unknown person hired for this part especially. Furthermore, I have never shape with the people in general appeared nude or semi-nude in any

performance, especially not in "Salome" in the United States or DR. FELICIA WEATHERS.

Atonement In your article on April 25th you

state that "to Jewish Americans, as to Americans generally, fsrael is a moral question, atoming for the slaughter of millions of European Jews" and this view is also shared by most British and German peo-

There are many reasons for supporting Israel but must we continue to plumb the depths of self-satisfy ing hypocrisy by saying that the settlement of Jewish people on other people's land against the wishes of those people is our atonement.

JOHN B. TATHAM. Neuilly sur Seine.

The International Herald Trihune welcomes letters from readers. Short letters have a better chance of being published. All lesters are subject to condensation for space reasons. Anonymous letters will not be considered for publication. Writers may request that their letters be signed only with initials but preference will be given to those fully signed and bearing the writer's complete address. The Herald Tribune cannot acknowledge letters sent to the editor.

By Joseph Kraft WASHINGTON-Imaging W three actors in search of a script and you have a good idea of what is going on in the Middle East these days. There is an abundance

Middle East:

3 Actors

Need Script

of speech, and not a little offstage or speech, and not a little offstage noise and some expectant rustling among many audiences. But the action now is leading nowhere exceptand I am not kidding) toward the supreme dream of players on the world stage — the Nobel Peace

The most accomplished of the actors by far is the Egyptian, who once in fact trod the boards for 1

He initiated the present phase with the electrifying trip to Jerusalem. He followed that by meeting Prime Minister Menachess Begin at Ismailia. Then came sheer piece of stagecraft — a brea! in the negotiations for no apparent reason. That set up another superi-scene — a visit to Washington and the charming of President Carter the Congress and the U.S. public.

Net Effect

But Mr. Sadat lacks a sense of strategy, a feel for how to mos from actions to objectives. In h speech to the National Press Clu speech to the National Press Clubere he actually declared that had gone to Jerusalem not to negatiate but to make peace — as if settlement was something the would happen, like the falling a the walls of Jericho after a trumping the walls of Jericho after a trumping the settlement. had sounded. So the net effect of Sadat's action was to put the maling of a settlement in the hands

Jimmy Carter, Prime Minister Begin tended i the same direction. To be sur here Sadat is heavily showbiz, M Begin casts himself as a figure in history play. He is the believin Jew who has left the ghetto and i cringing for favors. As a Zionist prewar Poland, and as an under ground figure in the Palestine the British mandate; he was a ligh

His response to Sadat's overtawas positive. He received him wi
great dignity. The offer he made
Ismailia was — by Begin's stan
ards, at least — an act of state
manlike generosity. He not only t lioquished to Egypt all Isra-elaims to the Sinai Desert, he mad regarding the West Bank of the Je dan, what seemed in him a nob act of renunciation. He suspende for an indefinite period Israeclaim to sovereignty over the Wor. Bank. That in effect meant forev and in time an Arab state wi links to Jordan.

Arbuter

But Begin also didn't know he to move from grand gesture to set tlement. To dramatize his nobles making Mr. Carter the arbiter the whole drama.

do not find Carter easy understand, and for a long time. have prindered the picture he has his head of a settlement in the Midle East. I come to the conclusion that what he sees in his mind's e is a small room where he, Sad and Begin sit together smilio shaking hands, making nice spece es and eventually — with suitab flourishes — setting their signatur to a document labeled PEACE.

To break the deadlock Carter r. sorted to another stage device -1. emissary with the mission of draw ing up a statement of mutually a. ceptable principles. When the failed, the President went throug the public act of turning a col shoulder to Begin in Washingto early last month. But when Beg came back last week, there we smiles and songs in the Rose Ga den, and the appearance of harms ny and progress

'Flying Solo'

In fact, there is no road map fi getting from here to a settleme Israeli Foreign Minister Mos Dayan, in a television interviewith Barbara Walters the other day, voiced in agonizing terms t need to move from abstract ta about "the wording" of principle to "concrete proposals ... on th ground and in reality."

Fortunately there is still time.
Though Sadat has very little support in his own country or the reof the Arab world for continuin his peace initiative, he is still han ing in there — "flying solo," as on Egyptian put it to me in Cairo of long ago. A main reason is that he wants the peace initiative to be still alive when the Nobel Prize is vote in October. So at least there are: few more months for somebody presumably Secretary of Stat Cyrus Vance and Mr. Dayan—1 come up with a script that will bring the three leading actors to the complete of the state of the st semi-happy ending that is at least still possible.

Charman John Hay Whitney

Lehten

Co-Chuirmen Kathgrine Graham Arthur Ochs Sulzberger

Publisher Robert R. Eckert

Murray M. Weiss

Managing Editor

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OATH OF ALLEGIANCE-A Swiss Guard, one of the

Vatican's 18 new recruits, takes his oath in the centuries-

honored tradition during ceremonies during the weekend.

Muzorewa Delays Action

inday to withdraw from Rhodesia's

The United African National

Muzurewa appointee.
The UANC reiterated its support for Bishop Muzurewa and demand-

"The meeting condemned the at-tempt to hypass Bishop Muzorewa

throughout the whole Hove issue,"

Muznrewa implied that the letter dismissing Mr. Huve, that was

published in a local newspaper un-

der the name of the current execu-

tive council chairman. Chief Jerem-

iah Chirau, had been unilaterally

sent out hy a civil servant, not by

The UANC executive expressed its concern that "it is not known who actually gave the word for the firing of Mr. Hove" and said that it

was "perturbed by the fact that evi-

the council,

ed Mr. Hove's reinstatement,

firing of a hlack minister.

Aeed:

Threatens Sanctions

UN Warns S. Africa on Raid

Karlileen Telisch

UNITED NATIONS, N.Y., May 7 (NYT)—The Security Council unanimously approved a resolution vesterday that condemned South Africa for its military raid Thursday inin Angola, called for the gilldrawal of the Hoops and in-plicitly warned that another attack child lead to sanctions.

The uncommon unanimity of the rate and the more than 20 speeches castigating the Pretoria regime demonstrated the isolation of South Africa. Its delegation did not ask to participate in the debate.

South Africa had called the strike a "limited operation" directad against guerrilla bases of the South-West Africa People's Organi-zation (SWAPOL charging that fifey had been used for stepped-up "ferrorist" attacks against the

Vance Finishes Talks in Mexico. Calls Ties Good

PUERTO VALLARTA. Mexico. May 7 [AP)-Secretary of State Cyrus Vance wound up three days of talks with Mexican Secretary of Foreign Relations Santiago Roel yesterday, declaring that U.S.-Mex-

gein relations are excellent.

But he acknowledged the diffiput issue of natural gas pricing was not discussed and the problem of idegal Mexican aliens was set aside for further studies.

Mexico is asking \$2,70 per thousand cubic feet for natural gas, which is nearly \$1 more than the Carter administration wants dowanter administration wants do-mestic producers to receive. Mr. Vance said it would be inappringri-ate to discuss the matter until Con-gress considers the administration's energy package.

On the sensitive issue of illegal Mexican aliens entering the United States in search of jobs, he said they agreed to exchange studies and surveys made on both sides of

Dayan on London Stop

LONDON, May 7 (UPI)—Israeli Epreign Minister Moshe Dayan ar-med today for a 36-hour stopuver to meet Prime Minister James Calaghan and Foreign Secretary Dagid Owen for talks on the Middle fiast before leaving for an official spirit to Norway and other Scan-

neighboring territory of South-West Africa, which South Africa has ruled since 1920 under a League of Nations mandate. In 1966, the United Nations revoked the mandate and sold the second the mandate and called on South Africa to end its "Hegal" occupa-tion of the territory, which the United Nations calls Namihia.

The council action was taken at an emergency weekend session summoned at the request of Ango-la, which charged that South Africa, contrary to its assertions that it withdrawn its troops, was sending in reinforcements.

who were wided in Chapter 7 of the UN Charter. This chapter, concerning acts of aggression, provides for such punitive measures as the breaking of diplomatic relations of the normal charter. The speedy council action was believed to teffect a desire on the part of Western members and black-ruled African nations to prevent the South African attack from upsetting the continuing of the cont upsetting the continuing effort to win acceptance of a Western plan for independence for South-West Africa.

Late last month South Africa accepted the plan, which was put forward by the five Western members of the Security Chuncil — the United States, Britain, Canada, France and West Germany, SWAPO, however, has held back, demanding changes in the plan, which calls for cease-fire in the guerrilla war, a phased withdrawal of South African troups and UN-supervised elec-tions leading to independence by the end of the year.

Sam Nujoma, the president of the People's Organization, has said that he was prepared to meet with representatives of the five Western nations, but the South African at-tack is expected to stiffen his attitude. Among other changes, he has heen demanding tighter restrictions on the 1,500 South African troops who would be permitted to remain in the territory under the Western plan hut would be restricted to

U.S. Criticizes Raid

The Western negotiators have' cheduled further negotiations with A number of leading members of his group have come from Africa to attend the sessions.

James Leimard, the U.S. delegate, declared in the council that

Mistrial Declared for Physician In California Baby Murder Trial

SANTA ANA, Calif., May 7 (AP)—A mistrial has been declared in the trial of Dr. William Waddill on charges of murdering a haby after the jury reported that it was deadlocked 7 to 5, with the majority favoring acquittal.

The judge declared the mistrial about two hours after the jury first reported it could not reach a decision. It had deliberated 11 days after a 14-week trial which drew the attention of anti-abortion

Dr. Waddill, 42, an obstetrician, was accused of strangling a baby girl shurtly after she survived a saline abortion.

The mother, 18, had told him she was unmarried and 22 weeks pregnant. On March 2 of last year, she was admitted to a hospital and Dr. Waddill injected a saline solution into her uterus tu induce an abortion.

Instead of a 22-week-old fetus, she delivered a three-pound infan.

Dr. Waddill, testifying in his own defense, said the baby was dying hy the time he saw it at the hospital, and that death was from natural causes. One of his lawvers called the deadlock a moral victory, saying that many had assumed at the outset that Dr. Waddill would be convicted.

Expressing dismay at the "sense-lessness" of the raid on Angola, he declared: "How is an already skep-tical world to judge an action such as we have just witnessed on the eve of further and, we hope, deci-sive talks?"

The resolution approved yester-day was proposed jointly by seven members — Bolivia, Gabon, Niger-ia, India, Kuwan, Mauritius, and

It says that, in the event of fur-Elisio de Figueiredo, Angola's their vinlatinns of Angolan territory, the Security Council will meet again in "consider the adoption of that the South African attack had taken the lines of South and taken the lines of South and taken the lines of South and taken the lines of South attack had

To Compensate Cod Fishermen

COPENHAGEN, May 7 (AP)-Danish Premier Anker Joergensen told 3,000 demonstrating fishermen yesterday that they could expect some compensation for a substantial loss in their fishing rights in the

But Mr. Joergensen did not spec-ify whether the fishermen could ex-pect an increase in their share of the cod qunta in the Baltic or direct economic help from the state.

Consequently, the fishermen, with about 500 vessels, decided to stay moored at the Copenhagen waterfront where they have been holding a demonstration since Thursday. On Friday, the fisher-men held a brief blockade against six Danish ports. The blockade was fifted after the government promised to talk to a delegation of

Mr. Joergensen also said that the West German government has backed a Danish claim to call an extraordinary session of the Baltic scheduled further negotiations with Fishing Commission as soon as Mr. Nujonta beginning tomorrow, possible.

U.S. Yachtsmen To Moor Again In Cuba's Ports

ORLANDO, Fla., May 7 (AP)— Several hundred Americans will sail into Coban ports at the end of the week — the largest such conlingent to visit the Communist-run island in nearly two decades.

The 300 to 350 boaters - yachtclub members, sport fishermen and others going along merely for the fun — have been invited by the Cuhan government, anxious for a rehusiness. Vessels ranging from sailboats

and small sport boats to large, ex-pensive yachts will negotiate the 90-mile stretch frum the Florida Keys in two or three flotillas beginning Friday. They will be escorted part of the way hy the U.S. Coast Guard. Cu-ban Navy ships will lead the way to a welcome in Cuhan ports. In Rhodesia Council Rift SALISBURY, Rhodesia. May 7 dence seems to indicate that civil AP)—Bishop Abel Muzorewa's servants played a direct political AP)-Bishop Abel Muzorewa's political party deferred a decision

role in precipitating the crisis."

The UANC also condemned the multiracial coalition government. "ganging up" against the bishop by pending action by the executive other members of the executive council on a controversy over the

Nkome Accuses West

Council said, after a meeting, that its 70-member national executive LUSAKA. Zambia, May 7 (AP)-Joshua Nkomo, co-leader of will meet next Sunday to consider the government's steps to resolve a the Patriotic Front, has accused Western governments of "plotting near rift in the four-man ruling executive council.

The UANC meeting was called to discuss pulling nut of the interim tu overthrow ruling governments in front-line states," in a bid "to perpetuate oppression and colonialism government after the sacking of co-minister of justice. Byron Hove, a n southern Africa."

Addressing students at the University of Zambia last night, Mr. Nkomo said that Western governments intend to use "sophisticated and craft methods in overthrowing ruling governments in the front-line

High Stepping in N.Y.

a statement said. "This is now fully substantiated that, while attempts NEW YORK, May 7 (AP)-Nearly 3,000 demanstrators, mostly were made to contact the other teen-agers, drank wine and smoked three members of the executive eduncil, no attempt whatsoever was pul in Central Park yesterday.after 60-block march up Fifth Avenue made tu consult Bishop Abel to protest laws hanning marijuana. Addressing o group of white farmers in Mtoku yesterday, BishIn Washington, the State Depart-ment said that it had informed the new Afghan government that it would maintain diplomatic tela-

Nn Military Pact Mr. Tareki said "we will not take part in any military pact" with the Source Union, Afghanistan's northern neighbor, nr with any other

By William Borders

KABUL, Afghanistan, May-

justification to interfete in out in-

including the United States."

ternal attairs.

Although Mr. Taraki's political party, which he referred to as the People's Democratic party of Afghanistan, has been regarded as a pn-Moscow Communist party, he disputed suggestions that it is Communist, Marxist or part of any international provenient

"Ours is the party of all the people," he said, "Our main objective is in secure the welfare of the workers and the peasants right here in Afghanistan."

Security at the news conference was tight. Foreign reporters were

the Premier was preceded and fol-lowed into the conference room by arnied guards, including one who stood directly behind him holding a ermitent said vesterday that he has no intention of moving the country

Asks for Aid of All Nations

Afghan Chief Describes 'Nonalignment'

into the orbit of the Sobiet Umon.
"We are not a satellite of anyone, as some say," said Premier Nur-Mohammad Taraki, ol, who came Former Press Attache Mr. Taraki, who was press at-tache at the Afghan Embassy in to power in a coup d'étai nine days Washington in the mid-1950s, exago. "We are nonaligned and inde-pendent and no country will have lained the overthrow of President Mohammad Daud, who was killed during the fighting here on April

At a news conference, Mr. Taraki appealed for the friendship and aid of "all the world's nations, "He and some of his family members were destroyed" because they refused to surrender, Mr. Taraki said. He disputed estimates that thousands had been killed in the coup, saying that the figure was 72 or 73 killed.

He said that 20 to 25 ifficials of the Daud government, including a number of ininisters, had been attested, but that some have been released on the condition that they remain politically inactive.

"The intelligentsia is the main force of the country and every effort will be made to attract them." he said. "But we want to re-educate them in such a manner that they should think about the people, and not, as previously, just about themselves — to have a good house and a nice car, and yet other people die of hunger.

'Our Revolution'

Mr. Taraki described the change of government as "our revulution, pointing out that it had brought an end to the rule of the upper-class Mohammadzia clan, which had run

checked with metal detectors, and the country since the early 19th eentury
"We are not aristocrats," he said

"We are not from the high families We came out from among the

He said that the government, which has served the property of the former ruling family, would carry out land reform and reduce consumer prices. He hrnted at nationalizations, but conceded that there was little to nationalize in this underdeveloped nation.

Mr. Taraki asked that aid from the United States and the Soviet Union be continued. "Our relationship with all the countries will be based on the amount of their support to out government in political and economic terms," he said, spe-cifically mentioning U.S. aid projects. "We have lots of problems and we appreciate very much those countries who give us aid without

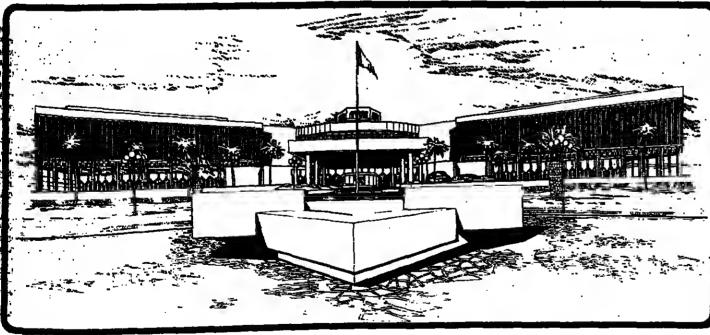
He referred to Pakistan and Iran. two anti-Communist neighbors that have been distressed at the change in Afghanistan, as brothers, and reiterated his government's dedica-tion to Islam, which is the common religion of all three countries.

He said that the ruling Revolutamary Council, of which he is chairman, has about 35 members. of whom only five or six are millitary officers. According to other sources, all its known members belong to the Khalq party, which means Masses Mr. Taraki is secre-tary-general of the party, be said. It is presumably the same party that he referred in vesterday as the People's Democratic party.



Afghan Premier Nur Mohammed Taraki is flanked by guards at Kabul press conference.

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Page 8 96% ADIST 479847 103 | ATT 71/9305 | P3-16 | ATT 71/9305 | P3-16 | ATT 71/9305 | P3-16 | ATT 71/9307 | P3-16 | AHolel 51-793 **UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK** in Proceedings lar **UNITED MERCHANTS AND** an Arrangement MANUFACTURERS, INC., et al., No. 77 B 1513 Debtors. NOTICE TO NOLDERS OF 8% GUARANTEED SINKING FUND DEBEN PLEASE TAKE NOTICE Inal UNITED MERCHANTS AND MANUFACTURERS, INC file Company", guarantor of the \$1% Guaranteed Sinking Fund Debentures due March 1982 riseued by United Merchanta Overseus Capital Corp N V ("Overseas Capital" result to and under a Fiscal Agency Agréement dated as al March 1, 1970 among erseus Capital, the Company as guarantor, and Clubank N A (formerly named first floral City Bank) as hock agent, filed a pelition for an arrangement under Chagter XI the Bankruptcy Act with the Clerk of the United States District Court, Southern cirict at New York, on July 12, 1977 and the proceedings are pending in said Court for Monorable Roy Batoff, Bankruptcy Ju8ge, under docket number 77 8 1513 PLEASE TAKE FURTNER NOTICE that the Company has hied a Composite Consolidated Plantin askid proceedings under date of March 9, 1978, (the "Plan"), which Plan provides, inter alia, their the holders of 9% Guaranteed Smiking Fund Debentures chall constitute Class V and shall be paid 100% of their claims, both principal and interast. The following is a summary of the provisions of the Plan respecting how and when payment to Glass V creditors shall be made in full sattlement, satisfaction, release and discharge of any and all claims acourst the Debtors. of any and all claims against the Debtors.

1. The Company shall cause Overseas Capital to make payments of principal and inferest on the 9% Guaranteed Sinking Fund Debentures to the liscal again under the Fiscal Agency Agreement for distribution to the Class V creditors, promata, as follows:

(a) on the Consummation Data (defuned in the Plan to be the Irrst business day toltowing the doto on which the order by the Bankruorcy Court confirming the Plan aher have become linal, or as provided in said order confirming the Plan), the Company shall cause Overseas Capital to pay to the hiscal agent in cash an amount equal to 50% of the sum of (i) this amount of accrued and unpaid inferest on the 9% Guaranteed Sinking Fund Debentures due to and including the Date of Confirmation idelaned in the Plan in accordance with the provisions of Chapter M of the Bankruptcy Acit and Im the outstanding principal amount of 9% Guaranteed Sinking Fund Debentures. The foregoing payment shall be deemed to be a payment of inferest due on the 9% Guaranteed Sinking Fund Debentures in the ratio that the amount referred to in cleuse (i) of the precading sentence bears to the eum of the amount referred to in cleuse (i) of the proceeding fund Debentures.

(b) In further payment of the nimicipal manually the outstance Shaking Fund Debentures. in the rare of 19% per amount as follows:

(i) The Company shall cause Overseas Capital to pay id the liscal agent an amount equal to the belance of the accided and unpaid injerest due on the U% Guaranteed Striking Fund Debentures to and including the Dale of Confirmation but only paid on the Consummation Date, with not inferest thereon, in four equal annual installments payable on the tirst day of March in each of 1979, 1980, 1981 and 1982. (iii Interes) on the Principal Balance as reduced from time to time shall accrue the rate of 8% per annum from the day following the Date of Confirmation and iff be paid on March 1, 1979, 1980, 1981 and 1982 3. With respect to the holders of the 9% Guaranteed Sinking Fund Dependings who coept any payment contemporated by the Plan, the Fiscal Agency Agreement shall be seemed amended to reflect the provisions of the Plan. PLEASE TAKE FURTHER NOTICE that the Plan further provides that all detaults

existing under the 3% Guarafleed Sinking Fund Debentures shall be deemed id have, been cured or worsed as at the Date of Confirmation, and each notice of acceleration declaring any outstanding claims of any holders of each debentures to be due and payable shall be cancelled, rescinded and of no lutther loice and effect as to the Deblors. Deblors.

PLEASE TAKE FURTHER NOTICE that on or effer the Consummation Date at 19% Guaranteed Sinking Fund Debentures and coupons dated March 1, 1976 and Increation may be surrendered to the fiscal agent under the Fiscal Agency Agreement for cancellation or do be stamped to reflect the provisions of the Plan and shall then be returned at exchanged. It shall be a condition for payment under the Plan with respect to each surrendered debenture that such debenture, the March 1, 1978 coupon and all subsequent coupons appurtenant thereto shall have been surrendered. All such debentures and coupons when surrendered chall be decided to the Plan.

vided in the Plant

PLEASE TAKE FURTNER NOTICE that although the Plan does not extinguish the light of an individual holder of 9% Guaranteed Sinking Fund Débeniures to be paid in accordance with the original terms of the Debeniure II the chooses not to be paid in accordance with the Plan, Class V croditors who accogs the paymente to be made upon confluention of the Plan will be deemed to have waived their right to demants and acceterate payment of the amounts remaining unpaid on such debeniures, and it is a cundition to receive payments under the Plan that Class V creditors waive their right to demand and acceterate payments.

demand and accelerate payment

PLEASE TAKE FURTHER NOTICE that it, after confirmation of the Plan, any holder of \$\foatin \text{Logistary}\$ (accelerate payment)

If \$\foatin \text{Logistary}\$ (accelerate payment) is a surrender such debentures end coupons as above provided, such holder ehalt continue to have the righte he would have had as a holder of such sebenture in all respects as though the proceedings effecting the Company under the Bankrupicy Act had not been commenced. None of the provisions of the Bankrupicy Act had not been commenced. None of the provisions of the provisions of the provisions of the Plan. The government of principal of and interest on the debentures free from deduction or withholding on account of United States laxes will not be discharged by confirmation of the Plan.

of the Pign.

1 At present there exist Events of Default, as defined in the Fiscal Agency Agreement Such Events of Default are (at liature to make the 1976 einking fund payment which was due on March 1, 1978, (b) filling by the Company, guarantid of the Sebentures, of a petition seeking reorganization under the Bankruptcy Act, and, (c) the March 1, 1976 matellment of Interest was due and has not been gold. So long as any of these Events of Default shall be continuing, the principal amount of and a corried interest on any 9% Guaranteed Sinking Fund Debanture habit, at the option of, and upon written notice delivered to the listal agent by, the then helder of such 9% Guaranteed Sinking Fund Debanture, mature and become due and payable.

celivered to the listal agent by, the then helder of such 9% Guaranteed Sinking Fund Debenture, mature and become due and payable

2. At present no provision has been made for payment of coupons as March 1, 1978 other than the obove mentioned provisions of the Plan. Euch coupons and subsequent coupons will continue to be obligations of Overseas Capital and the glusranty of the Company with respect thereto will not be discharged by continuation of the Plan Should e fiolder later determine to accept the Plan, the Company has determined to Seduct from payment, provided by the Plan to be paid to a sun andering debenture holder, a sum squal to the aggregate lace amount of all coupons maturing March 1, 1978 and aubsequently which are not surrandered with the debenture. The Fiscal Agency Agreement required a sinking funding goment on March 1, 1978 sufficient to redeem an aggregate of \$1,330,000 principal amount, of the 9% Guaranteed Sinking Fund bebentures at 100% of the principal amount, of the 9% Guaranteed Sinking Fund bebentures at 100% of the principal amount, of the 9% Guaranteed Sinking Fund bebentures at 100% of the principal amount, of the 9% Guaranteed Sinking Fund bebentures of 9% Guaranteed Sinking Fund Debentures at 100% of the Plan. Only debentures sumendered under the Plan will be digible for emking fund redemption.

PLEASE TAKE FURTHER NOTICE that it holders of 9% Guaranteed Sinking Fund Debentures have not already fited a groot of claim with the Clark of the Bankruptcy Court, at the United States Courthouse, Foley Squere, New York 10007, Room 230, such holders should do so in order to be entitled to accept or reject the Plan Holders who have filed a claim need not file again if a holder has already filed a proof of claim end destries to accept the Plan. Forms of proofs of claim and acceptance in the Plan Holders who have filed a claim need not file again if a holder has already filed a proof of claim end destries to accept the Plan. Forms of proofs of claim and acceptance in the Plan company, 1407 Bro

pany, 1407 Broadway, New York, New York, 10018, ollantion. Sugney Margolle.

PLEASE TAKE FURTHER NOTICE that the adjourned lirst meeting of creditors of the Company and the other debtore in these proceedings will be held before the underenged Bankruptcy Judge at the United States Courthouse, Foley Square, New York, New York, 10007, Room 201, on May 22, 1978 at 9:30 A.M., at which alice and time the creditors may etilend, present written acceptances of the groposed Plan and transact such other business as mey property come before said meeting; and the heuring on the confirmation of the Plan and objections thereto, if any, will be beid before the undersigned Bankruptcy Judge et the United States Courthouse, Foley Square, New York, New York, 1000Y, Room 201, an May 22, 1978 at 9:30 A.M., at which time all applications for allowance of compensation will also be considered.

PLEASE TAKE FURTHER NOTICE that the meeting may be confinited or adjourned.

allowance of compensation will also be considered PLEASE TAKE FURTNER NOTICE that the meeting may be continued or adjourned I time to time by order made in open court without further written notice to

creditors.

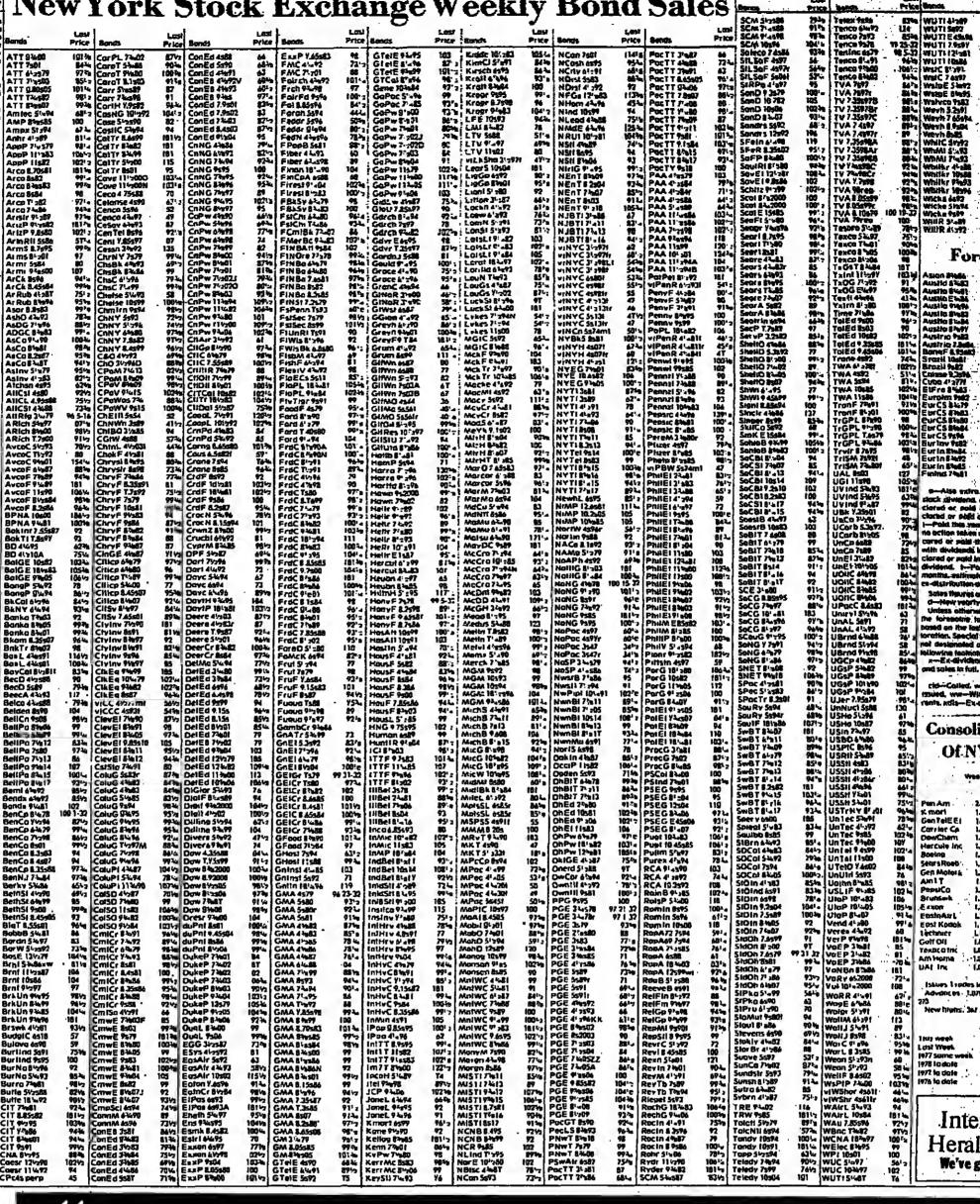
PLEASE TAKE FURTHER NOTICE that there will also be considered before the undersigned Bankruptcy Judge at the United States Courthouse, Foley Square, New York, New York 10007, Room 201, on May 22, 1976 at 9:30 A.M., or as 500n thereafter as counsel can be heard, a motion by the Company and the other debtors in these proceedings for an order consolidating the above captioned proceedings substantively mide a single proceedings and merging the assets and liabilities of said debtors for all purposes of said proceedings, eliminating all inter-company claims by and among the dectors herein, aliminating all gueremees executed by any of the dectors of the obligations of any other of the dectors, therefore, the said proceedings shall be deemed to have been fitted in the above captioned granting the debtors such other and further relief as to just.

PLEASE TAKE FIREHERS NOTICE, but any snot all incurred with respect to the

PLEASE TAKE FURTHER NOTICE that any and all inquiries with respect to the Plan, its terms, conditions and provisions, the time and menner of payment and any other matters pertaining thereto, may be made directly to the company or its counsel copies of the Plan and Imancial and other materials related thereto are ovaliable and may be obtained by contacting Courset for the Company in addition. The Plan Itself is on tile with the Clark of the Bankruptcy Court and may be examined at any time during counters bourts.

Counsel for the Company LEVIN & WEINTRAUB 225 Broadway New York, New York 10007 (212) 962-3300 and STROOCK & STROOCK & LAVAN





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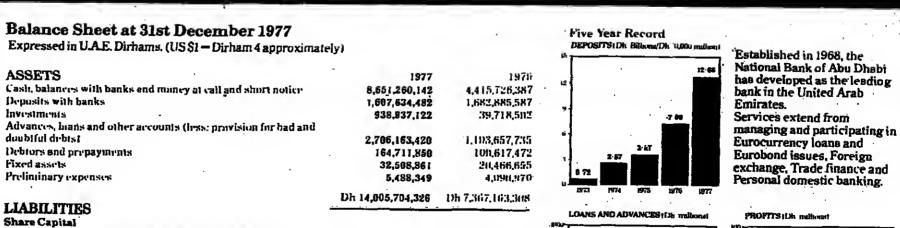
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Contingency reserve

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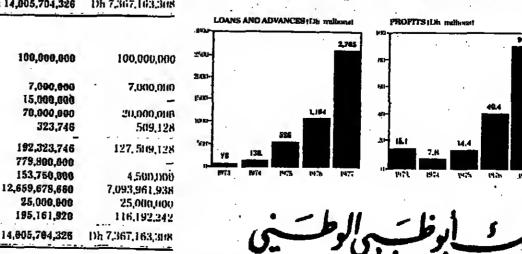
Current, deposit and other accounts

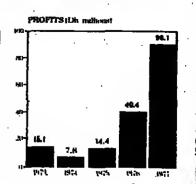
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NATIONAL BANK OF ABU DHABI

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Euromarket_

Rising Rates, Dollar's Firmness **Drawing Investors Into Notes**

By William Ellington

LONDON, May 7 (AP-DJ)—The yield is sumewhat helow those pre-Eunsdollar note market is showing remarkable zest in face of rising dollar's loss of upward momentum

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OF VISITINE

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in the foreign exchange manager robond specialists say.

A \$125-million, seven-year note of triple A-rated Ontario Hydra hearing 8.5 percent annually was hearing 8.5 percent annually was hearing appears to be mainly responsible for the current edge of the Eurodollar hieger New said to be selling very fast even though many market participants were away from their desks for the entire week since both May Day and Ascension Day were holidays in most of Europe.

Demand was reported to be strong even though the indicated

Volvo Plans to Recall 45.000 Cars in U.S.

"WASHINGTON, May 7 IAPI-

Administration says.

The agency said that the problem can result in a sticking accelerator pedal or a sudden increase in engine speed. Volvo will install an improved throttle valve return spring on the vehicles and will replace throttle cables made of a material which has experienced a short life

Pay Demand in Naples dle flowers or turn on graveside York at the time. lights to back demands for a Sources said that McDonald's

l'undollar note market is showing remarkable zest in face of rising short-term interest rates and the cialists, the Eurodollar note yields should he consistently helow com-

> note market over the higger New York mart, some analysts say, Basically, this occurs when a munager promises the issuer a lower yield han prevailing in the market and then puts pressure an underwriters to sell the paper by passing their commissions to the investor.

Several underwriters said that a flagrant example of this type of disguised fee-cutting can he seen with WASHINGTON, May 7 1AP)—
Yolvo of America is recalling a \$250-million, five-year Norwegiun government note bearing 7.875 tears to correct a throttle defect, the National Highway Traffic Safety Administration says. is supposed in he priced at 99.5 to vield 8 percent.

New-osue managers say that the Eurodollar note market should remain competitive with the New York market for issues of up to 10 years as long as gross commissions are effectively reduced from their present level of 2 to 2.25 percent.

For example, Beatroe Foods re-cently chose to float a \$100-million, NAPLES, May 5 (Reuters)— bearing 7.75 percent because the Workers at the three big municipal yield was about a half-point lower cemetenes here are refusing to han- than could be obtained in New

40,000-lire (\$47) monthly pay raise. Corp. was on the point of taking officials said today.

Corp. was on the point of taking the same route as Beatnee with a

U.S. Commodities

('HIC'AGO, May 7 JAP)-Negative economic news and the stock market's midweek turnble sparked a rally in precious metals futures last week, boosting gold and silver prices for the first time in more than u

Gold futures on New York City's Comex surged by \$3.40 to \$4.70 an nunce for the week, finishing at \$173.30 in the May contract, while silver

advanced about 9 cents to \$5.06.3 in the spot delivery. copper contracts, however, declined one cent a pound. Although the sethuck in the Dow Jones average stimulated some selling in industrial metals futures, dealers were puzzled about the relative weakness.

Weather provided the key to grain markets at the Chicago Board of Trade. Rains in the Southwest benefited winter wheat crops, whittling those futures as much as 9 cents a hashel. The sale of a million metric tons of corn to an unknown foreign huyer.

probably the Soviet Union, also figured into a 5-cent increase in corn Soybean contracts rose 512 to 1212 cents a bushel in mostly technical trading. Exceptionally large weekly soybean exports and continued good

demand supported the advance. New contract highs for live cuttle futures were posted during several sessions at the Chicago Mercantile Exchange, resulting in net gains of 1.4 to 2.1 cents a pound for the week. The June delivery ended at \$5.56 a pound, more than a dollar higher than the price of a year ago...

Light receipts at major markets and continued good consumption sourced the brisk demand in cattle futures. By the end of the week, soybean deliveries were 512 to 1212 cents higher than a week earlier, with May contracts finishing at \$7.27's a husbel. Wheat dropped 312 to 9 cents, May \$3.00; corn advanced 314 to 614. May \$2.54, and outs gained 1'4 to 5% cents. May \$141's.

er. McDonuld's reportedly changed its mind not so much because of yield considerations but because of a streamlining of Securities and Exchange Commission procedures en-abled it to up the New York market ulmost immediately.

Still on offer in the Euroband market is a two-part note of the Development Finance Corp. of New Zealand and a \$50-million. 12-year issue of Newfoundland hearing 9.25 percent. The New Zealand offering com-

The New Zealand offering com-prises a \$20-million, five-year issue installment financing institute, is million, seven-year note bearing 8.375 percent. Both are expected in be offered at substantial discounts

\$100-million, 10-year issue bearing to hing the yield up to a competitive level with the Ontano Hydro

offering. Meanwhile, a \$75-million, 15year issue of Cuisse Nationale des Telecommunications was priced at 49.5 bearing 9 percent to yield 9.06 percent. Though trading had not officially started as of Friday, the French-government guaranteed issue was expected to start trading at around 98 or at a discount equal to the 1.5-percent selling group con-

In the Deutsche mark sector, bearing 8.125 percent and a \$20- marketing a seven-year, 50-million-DM convenible bond bearing an indicated coupon of 3.75 percent. Pricing is expected to be ut our

The U.S. Economic Scene

New York Stock Market

NEW YORK, May 7 (NYT)-The adage "what goes up must come

After an 80-point rally in the Dow Jones industrial average last month

A moderate rally on Friday, however, succeeded in crasing some of the

losses of the previous three sessions. On Friday the Dow rose 4.68 points after having declined almost 20 points in the previous three days. Monday it had advanced 7.01 points to 844,33, its highest level in more than five

Friday's upswing was fueled mostly by the Labor Department's report

that the unemployment rate last month had dropped to 6 per cent from

the March rate of 6.2 per cent. Last month's rate was the lowest since

October, 1974, when it stood at 5.9 per cent.

Trading last week on the New York Stock Exchange continued heetic.

urnover arounted to 196,22 million shares, compared with 203,10 mil-

lion in the previous week. Most of the volume, as in the previous month,

The market's higgest loss last week came on Wednesday. The Dow fell

11.35 points. Some analysts called the sell-off a normal reaction to the

Another negative factor was concern over rising interest rates, including

spreading rise in the prime interest rate to 814 percent from 8 per cent.

The Federal Reserve Board has taken recent action to lighten credit.

This is the rute the hanks charge their most credit worthy corporate cus-

Many investors fear that rising interest rutes will humper husiness expan-

— its third-best monthly point gain in the history of the blue-chip baroni-eter — the Dow last week fell 8.23 points to 829.09 as investors cashed in

Incompatible Trends Continue to Prevail

By Thomas E. Mullancy

NEW YORK. May 7[NYT]— The amazing surge of the slock market on a tidal wave of buying interest and the rising bulge of inflationary pressures in the domestic economy — two noncompatible trends that normally do not prevail simultaneously for very long --continued to co-exist last week and dominate the attention of the ecrnomic and political worlds here

They stirred considerable conjecture on the question of how long these conflicting and haffling naccements will last and on the nature of the forces that might even-tually puncture the twin balloons

and change their direction. Again last week the stock market experienced a substantial ahovenorm volume of trading for the third successive week and managed fairly well to withstand the huffeting influence of such negative ele-ments as increasing inflation, tighter money and some major unresolved policy issues in Washing-

Investor Interest

With investor interest still dominated by institutions and foreigners, the stock market tended in mocent the most positive recent development - the improved stutus of the dollar in the international curreny markets - and the hope that the government would handle the inflation problem better than most private economists helieve.

Toward the weekend, however, there seemed to be some disposition to take profits in stocks after the market's strong runup since mid-April, and in some about the likelthood of an effective anti-inflation strategy in the Carter adminis-

The bond market which was no-

table in its abstention from the 15 basis points) in tax-exempt mustock market's recent euphonia, continued to reflect concern about rising inflationary pressures and the more restrictive credit policies being pursued by the Federal Reserve System in the inflation battle

and in support of the dollar. Interest rates have climbed, and some new benchmarks were reached during the last week. Long-term Treasury bonds attained their highest rates in four years, intermediate-term phligations gut to their highest yields in three years, and there was a fairly sharp rise (10 to

down" neld true for the stock market last week,

came front institutional and foreign investors.

on some of their recent gains.

nicipal issues. In some cases the rates on the longer-term maturities are now elose to their 1974 peaks, while those in the short-term area have heen pushing up more slowly and are still well under their historic double-digit levels of four years ago. Despite its latest advance to 8 14 per cent, for instance, the prime lending rate of commercial banks is

still some distance from the 12-percent milestone reached in the memorable summer of 1974. One factor that surely threw a

day's report showing that the Wholesale Price Index had jumped more than generally expected last month. The month's increase was at a big double-digit annual rate, chiefly because of the 1.9 per cent surge in the important food compo-That augurs sharply higher prices for consumers for some months

hig dash of cold water conto Wall

Street's hitherto warm perception of inflation prospects was Thurs-

ahead. And it certainly serves to heighten both public and private concern about the indicated course ed inflation in the United States.

The recommended rentedy is evther a reduction in the coming year's federal spending or a scale-down in the administration's pro-posed \$25-billion tax reduction or a two-stage tax cut or some combinaion of all of them.

Incently es Tilt

Some sources have been urging a greater tilt toward investment in centives in the tax program as well as greater emphasis in trong to counteract previously approved tax increases, with less weight in the ulumate tax package for provisions that would promote greater con-

sumption in the economy.

Business investment has been picking up this year, but it remains somewhat less than robust and is still lagging behind the pace the administration's economists have said would be necessary to keep the recovery going at a satisfactory

2 Ships Collide Off Sicily MESSINA, Stelly, May 7 (AP)-A Spanish freighter and a Greek tanker collided in the Straits of Sicily Friday night, starting a fire abound the Spanish ship All those ahourd the two vessels were report-

	oriciais said incay.	the same route as Beatnee with a	he cultered at substantial discounts	Pricing is expected to be ut par,	The bond market, which was no-	and and avalang construction.	ed sule, authorates said
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5	representative interdealer prices at which these securities could have been sold. Prices do not in- clude regul markup, markdown or commission.	AlidTel 48b 144 16 154 14 + 34 AliynB 50 31 134 124 134 + 34 AliyexCm 127 23e 2 23e + 3e	ASCF10.40 557 24% 19% 19%-412 ASecCp 2 59 23 12% 22% ASIGNLE 40 43 17% 17% 17% 4 %	AsdMod &se 247 24 3% 3% 4 6 845 ANGOSLI 1.36 96 15% 15% 15% Bon	slows 1.12 * 9 26 26 24 Bro	evilate 48 977 23% 18% 22%+4 Brooks 40 340 25 23% 24%+ to block 5 11% 28 11% 28 11%+1% Brooks 1 110 27 22 27 +4% 100 100 11% 14% 14% 15% 15% 15% 15% 15% 15% 15% 15% 15% 15	CdintP 20r 43 199 196 199 ConnMill to 127 15% 15 15% 1 15% 1 15% 1 1 1 1 1 1 1 1
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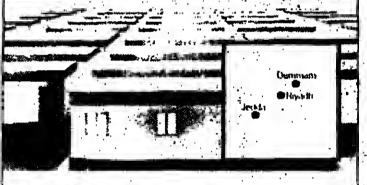
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As provided in the Terms and Conditions
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consequently the Note which bears number 1
and all Notes bearing a number which is 4, or
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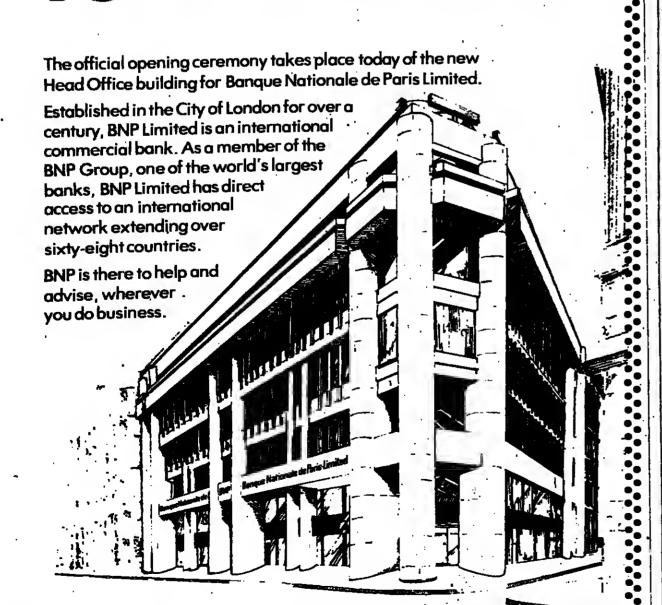




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I hird annual redemption instalment (Redeminion George No. 2 and No. 4 fell due. on June 15, 1976 and June 15, 1977 resp.)

As provided in the Jernis and Conditions Redemption Group No. 3, amounting to Dfls. 7,500 (a) 1... has been drawn for redemption on time 15, 1978 and consequently the Note which bears number 3 and all Notes bearing a number which is 4. or a multiple of 4, plus 3 are payable as from

June 15, 1978

Algemene Bank Nederland N.V. (Central Paying Agent) Pierson, Heldring & Pierson N.V. Amsterdam-Rotterdam Bank N.V. Bank Mees & Hupe NV

in Amsterdam; Banque Bruvelles Lambert S.A.

in Brussels: Banque Internationale à Luvembourg S.A.

in Laxembourg: Algemene Bank Nederland (Genève) S.A.

ın Geneva: Algemene Bank Nederland in der Schweiz AG m Zurich

April 26, 1978

Consolidated Trading Of AMEX Listings

Houdrilla Reigna wi Shenan Din Macrad Ind Laews Thwi McCuil Oil Swest GFin Atleg Ant Syntex Car Warner Oil

Yeur ID Date 265,139,420 shores Issues floded in 1,871 Advances, 512, declines, 252, c New Highs, 719, new lows, 14

Bank Stock Quotations tClosing Prices of the week's trading t

Barbanks
Cleveland Trusi Ca
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Tokyo Pacific Holdings N.V.

Curadad Nemerlands Antilles

At the Annual General Meeting of Shareholders held on 5th May. 1978 a cash dividend of USS 0 30 per Oldmary Share was declared payable as from 16th May 1978 against delivery of dividend coupon No 8 with any one of the Paying Agents

Pierson, Heldning & Pierson N.V Herengiachi 214 Amsleigam

National Westminster Bank Limited Stock Office Services 5th Floor Drapers Gardens 12 Thiogmorton Avenue London EC2P 2ES

Banque Rothschild 21 Rue Lattille Paris 9

Sal. Oppenheim jr. & Cie Unter Sachsenhausen 4, 5 r bin

Trinkaus & Burkhardt Konigsallee 17 Dusseldorf

Tokyo Pacific Holdings (Seaboard) N.V.

Curação, Netherlands Antilles

At the Annual General Meeting of Shareholders held on 5th May, 1978 a cash dividend of US\$ 0.22 per Ordinary Share was declared payable as from 16th May, 1978 against delivery of dividend coupon No 8 with any one of the Paying Agents

Pierson, Heldring & Pierson N.V. Herangracht 214, Amsterdam

National Westminster Bank Limited Stock Office Services 5th Floor, Drapers Gardens 12 Throgmorton Avenue, London EC2P 2ES

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86.50 .88.50 75.50 .77.50

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INTERN	ATI	ONAL BONDS
(a weekly list of	non-da	llar-denominated issues)
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orsmarks 54.90	78.25	E.N.E.L.74-86 100.00 101.00
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esterreich 64-85	104.60	World Bank 74-87 82,50 83.50
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uebec Hydro 6'4-87	100.50	ABN 942-79 103.50 104.25
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omm Urb 8-86 130.50	-	Philips 8-79 99.25 100.00
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NYSE Averages

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30 Indust

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May 8, 1978

We are pleased to announce the following appointments

MAXWELL F NEILSON

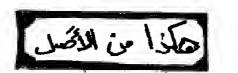
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ALLAN W. MARSHALL

First Vice President in charge of the International Bond Department

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Seen as a Major Breakthrough

China Reports Finding Oil, Gas Under Sea

Fox Butterfield

HONG KONG, May 7 (NYT)hina has discovered oil and natu-al gas in the South China Sea and plans to turn the deposits into a major new oilfield, a provincial ra-tio broadcast has disclosed.

The discovery, which represents a major breakthrough in China's eforts to exploit its large offshore oil potential, coincides with a sizable ncrease in Chinese purchases of United States offshore nil technoloto In a few months Peking has suight from U. S. companies two lited platforms for uffshure oil proluction and a miwahle jack-up iniling rig for exploration. There the are reports that the Chinese ire negotiating for a large integrated production and logistics system hat could supply an entire offshore

The report of the new discovery madeast by Kwangtung, the prov-ace that horders Hong Knng gave a details about the finds and did at reveal where they had been

Hainen drilling 'promising'

But oil industry sources and anaists here say that China is known have drilled in several locations If its southern coast, including the eff of Toakin, around Hainan Isand in the Pearl River estuary

Treasury Bills

1.20 1.25

is the south

41

below Canton. There have been unconfirmed reports for several months that China had struck pil in the Coulf of Tophic and struck pil in the Coulf of Tophic and struck pil in the large amounts of for Pekiog's growth of its pil industry in line with the idea of exporting more oil the Gulf of Tonkin and off the northeast and the southwest coasts of Hainan, with the Haman finds

contrainant with the manan unus heing the most promising. Last munth a senior Kwangtung official told a provincial Commu-nist Party meeting that "a fairly large collied" would be built in the South China Sen before 1985 South China Sea before 1985. listimates of China's offshore nil

potential vary widely. A 1977 study by the U.S. Central Intelligence Agency calculated that China's re-coverable offshire reserves, at 40 hillion burnel. hillion barrels, about equal to its reserves oa land, Some other estimates are higher.

Reserves Developed Slowly

Despite the size of its offshore reserves, however. China has been slow to develop them, in part because of the late Man Tse-tung's in-sistence on self-reliance, which has limited Peking acquisition of advanced Western technology. Until move the only oil China produced offshore is a relatively small amount in the shallow waters of the Puhai Gulf near Tientsin. The field there is an extension of the poshore Takang oilfield. China's third larg-

Analysts believe China must now

Telephone: (030)-362832.

Telex: 40025 RABO NL.

April 28, 1978.

the large amounts of fureign ex-change needed to pay for Pekiog's amhitinus modernization program. Oil already plays a critical rule in China's fureign trade, as one of the few items it can sell ahroad in hulk. with China's pillields on land too far away from ports and need-ing expensive pipelines to get the pil to tankers, the offshore reserves have become an attractive alterna-

China's oil production last year was 92 million truns, or 1,84 million harrels a day, placing it in 10th place among the world's leading oil producers along with Indonesia.

Only 10 million truns was exported, marries to be a proposed to be a produced to the producers oil and the produced to the produ mostly to Japan, although oil earned 16 per cent of Chiaa's for-

Jayson Mugar, the Hong Kong representative for the Union Bank California who follows Chinese oil developments, estimates that Peking could produce 40 million tons annually by 1985 from its offshore reserves alone and could increase exports to over 40 million tions. That would bring in a third of China's increased foreign exchange earnings at the time. Mugar reck-

Stepped-Up Exports?

CENTRALE RABOBANK, AMSTERDAM, THE NETHERLANDS

onnounces the issue of:

Dfls. 200,000,000.

7 1/4% Bonds 1978.

Due 1979/1988.

In bearer denominations of Dfis. 1,000 each,

Issue price: 100%.

Interest payable annually on June 1, without deduction of withholding tax.

Subscription will be closed on May 9, 1978 at 15.00 hours. *

Redemption of par in 10 equal annual instalments from June 1, 1979 until 1988. Application has been made to list the bonds on the Amsterdam Stock Exchange,

with the idea of exporting more oil to pay for increased imports of Western technology and plants.

In April Peking bought the jackin April, reking bought the jackup rig from a Singapore subsidiary
in Bethlehem Steel. No price was
disclosed but it is thought to have
been \$25 million. The specificatinns include an ability to operate
in water to 250 feet, and its three legs are fitted to a steel mat rather than resting directly no the ocean floor. This allows it to operate on soft seabeds and has led to specula-tion it may be used in the Gulf of

The twn production platforms were bought from National Supply Co. a division of Houston-based Armoo Steel. Including associated onhourd equipment, the platforms cost \$30 million. Oil industry sources say China plans to use them in the Pohai Gulf where it already has some of its own fixed platforms.

The sources say Peking is also talking with another Texas company ahour a package that could in-clude from five to 20 fixed platforms, pipelines and loading systems for tankers. The idea would be to give Peking a fully integrated notive to exploit its offshore resources if it wants to rapidly in
Peking's stepped-up purchases of production system that could be put to work immediately.

Payment date: May 31, 1978.

CENTRALE RABOBANK, AMSTERDAM



World Cup Preview:

Brazil Seeks 4th Crown

Brazil's chances of winning the World Cup for an unprecedented fourth time depend on its success in hridging the past and the present.

hridging the past and the present.

A gap was created when Pele,
Tostao, and Gerson, the "blessed
riangle," left the international
stage after helping Brazil win the
trophy a record third time in 1970.

The sopl went rul of Brazilian
soccer and it was a more physical
side that made the trip to West
Germany in 1974 and did surprisingly well to finish fourth. Team
manager Claudio Coutinho hopes manager Claudio Coutinho hopes he has found the right Brazilian hlend, marrying the native individ-ual skills with European discipline.

Relaxed Style

Left to his own devices, a Brazilian player's attitude leans more toward the soccoer equivalent of baskethall's Harlem Globetrotters than the regimented "tutal soccer" style of the Europeans. "It's a simple desire to play with the ball to ple desire to play with the ball, to put on an individual show even if there's no crowd watching," a Rio

sportswriter said. The Brazilian player is individually talented and Coutinho regards this talent as constant, but realizes this showmanship has dangers that

must be balanced. Cnutinho, considered one of the great theorists in Brazilian soccer. is stressing the value of the European-style versatility — players able to fill different positions, tackle hard and play to the limit for 90

Until they began their tuur of world record of 108 set by Europe, the Brazilians had lost only England's Bohhy Moore.

RIO DE JANEIRO, (UPI) once in 39 matches since mid-1975. winning 29 and drawing nine. But drawn home matches against Eng-land. West Germany. Yugoslavia and France last year have upset fans, who are wondering whether Brazil will be able to keep up with

the fast pace of intal soccer.

Brazil opened its World Cup
qualifying campaign against Colomhia last February and the disappointing 1-1 result led to Oswaldn Brandan resigning as coach in favnr nf Coutinho.

Proper Medicine

Coutinhn's more European-style soccer seemed to be the right medi-cine, turning Brazil around for a 6turn match. Brazil was less impressive against Paraguay, however. squeaking hy 1-0 at home and drawing 1-1 away for just enough points to reach the final qualifying round in Cali.

A 1-0 vicory against Peru and an 8-0 hunanza against a weak Bolivi-an squad in the Cali playoffs pushed Brazil through tn the finals. Midfielder Roberto Rivelinn, only survivor of the triumphant 1970 team, is the man Coutinho is relying on to make the new style work. Cnuunho holds the 31-yearold team captain up as an example tu his other players because of his maturity and ability to adapt to a more disciplined style of soccer.

Rivelino, an expert with the "banana" kick, has played in 105 internationals for Brazil and needs nnly four more caps to break the

Major League Standings

Los Angeles Cincinnoti Son Francisco

.400 .542 .417 .400 10 11 14 15 15 San Francisco 2, Chicago 1, 13 inning: Pilisburgh 1, Las Angeles 2

Aflonio 2, Mousium 1, 10 Inninos Philadelphia A, New York 2 SI, Louis 1, Son Diepo 0 Friday's Games Ship Francisco of Chicago, a Allanta & Houston 3 Allanta & Houxton 3 Montreal & Cincinnali 3 adelphia 9. New York 4 Los Angeles 7. Pillsburgh 2 Son Digos 2 St Louis 1

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Saturday's Games Boston 4-3, Chicopo 4-0 Bosion 4-3. Chicopo 4-6 Tengs 9. New York 5 Milwouke 4. Konsas C.IV 3 Detroil 6. Doktond 8 Minnesota 8. Bollimore 7 Collifornio 7. Cleveland 3 Seottle 6. Toronto 8 Friday's Games Chicago al Boslon, ppd , ram Ballimore 2, Minnesola 1 New York 5, Texas 3

Milwoukee 9, Konsos City D Oaktond 5, Detrail 1 California & Clevela esota (Serum 2-0) a) Bollimare (McGre-Texas (Ellis 7-11 a) New York (Beaffle 1-8)

Friday's Line Scores

Cothern, Pallin 151, Mingert 101 and Parter. Wothern 181; Calowell and E.Mortinez W—Coldwell 2, L—Cothern 1-1 HRS—Milwaukes. Lazcono 3 131, Opilivis 131.

Jefferson, Willis 121, B Moore [41, Wolloce [5] and Cerone: Honeycutl and Stinson, W—Honeycutl, 2 · 2. L—Jefferson, 1-4. HR—Seattle, Brown

Saturday's Line Scores

Spilltorff, Bird 19), Hrobasky 19) and Parter. Sorensen and Martinez. W-Sorensen, 3-2. C-Bird. 1- 2. HRs-Konsas Cliv. Parter 141.

somery W-Wright, 1-0. C-Barries, 1-2, HRs-Boston, Rice 18) , Evens (31.——

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Erickson, Scorce (3), Thover (3), Ya Jannson (9) and Wynegar, Baramonn (9), D.Nortines, Stanhouse 19), T Martinez 19), Filins 19) and Skopps, W--Thaver, 1-1, L--Stanhouse, 8-2

NATIONAL LEAGUE 000 000 101-2 R 8 300 000 00x-3 10 0 Sutton, Coshilio (8), Houph (8) and Yeaper, Condelaria and Ott. W—Condelario, 2-4 L—Sut-lan, 3-3, HR—Los Angeles, Lacy (2)

Knepper, Mofilii (10), Covelle (12) on Sodek (?); & Reuschel Sutter (?), W.Hen (10) . Moore (12) and Cas. W.—Mottin. 2

Espirioso, Cornejo 151. Metzger [71 ond Stearre; Lonbors. Reed [71, McGraw 181 and Boans W—Lonbor s. 3-2 L—Espirioso, 1-2 HR— Prilipatephilo, Schmidt 151.

000 000 000-0 2 1 000 000 10x-1 J

000 000 100 0-1 3 3 Andujor, K Forsch 1101 one Herrmonn, Hon-

Devine 171, Mohler III. Compbell (9) and corobo W.— Compbell, 1-1, L.— K Forsch, 1-1.

NASL Standings NATIONAL CONFERENCE

AMERICAN CONFERENCE

New Issue / April, 1978



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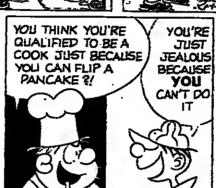
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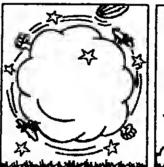
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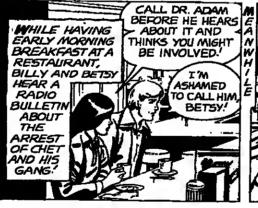


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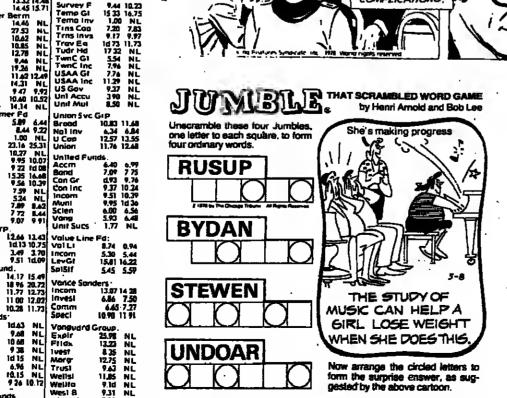












Print answer here: (Answers ternorrow)

Jumbles: TONIC WAFER BIKINI PAROLE What seven days of dieting make— ONE "WEAK"

"Registered as a newspaper at the Post Office" "Printed in Great Britain"



YOU'RE READIN' PINOCCHIO IN BLACK-AND-WHITE ... CAN'T YA PUT SOME COLOR INTO IT ?"

BOOKS

THOMAS HARDY'S LATER YEARS By Robert Gittings, Atlantic/Little Brown, 244 pp. \$12.50. - Reviewed by Margaret Drabble

A LAS FOR Thomas Hardy, and for his devout admirers, among whom I have since child-cated man, stooping to malicious hood numbered myself. He was simply not a very nice man, and, as Robert Gittiogs's excellent biogra-phy "Thomas Hardy's Later Years' devastatingly reveals, he got werse and worse. One of his closest friends. Edward Clodd, otherwise known for his generosity and loyal-ty, said for an epitaph that he "was a great unthor; he was not a great man; there was no largeness of

Gittiogs's account—the compan-ion volume to his earlier. "Young Thomas Hardy?—reveals again and again how true this was, and the list of character traits to the index makes in itself depressing reading—egocentricity, touchi-ness, superstition, close-fistedness. class-consciousness, suspiciousness, impatience of hierary criticism"these weigh heavily against "fond-ness of and concern for animals" and occasional "tenderness."

The great man, who saw himself as seer and propher of the age, was in his personal life and domestic re-lations petty. Scrooge-like and sel-fish, so inconsiderate as a husband that his first wife, Emma (by no means as mad as some biographers have portrayed her), remarked to his wife-to-be. Florence, that he looked uncannily like the notorious murderer. Dr. Crippen, and speculated that her body might be found buried in the cellar at Max Gate. Hardy was no murderer, but he was culpably indifferent to his wives health, and when Emma died after a long and painful illness, be did everything to conceal his neglect, to the extent of rewriting any poems that might have suggested that he was aware of her suffering.

Gittings's detective work uncovers almost criminal self-absorption, and a meanness unforgivable and almost incomprehensible in the wealthiest writer in Britain: He made Florence pay for her own operations and stays in oursing homes-out of her small personal savings. The meanness, of course, is not quite incomprehensible, for Hardy was a peasant, much as he tried to conceal his origins, and he retained some of the less pleasant altributes of his background—a willingness to hangle over money and property to haggle over money and property, to conceal his own income and lo ward off innocent admirers as though they were marauding

What cao one make of a literary hero who was physically so unimpressive, not to say repulsive, that visitors were shocked to meet him in the flesh? Of a novelist famed for his humanity and protests against man's cruelty, who was in real life morbidly obsessed by hanging. murders, burnings, particularly of wumen, and who in old age horri-fied guests by relating terrible details of terrible tortures? Of a chronicler of honorable peasant life who made dishonest efforts to hide his own father's modest birth and modest success, and whose birthplace grew ever grander in his memoirs? Of the man who wrote Solution to Friday's puzzle



cated man, stooping to malicious fury when critics and hiographers commented on Hardy's own lack of formal education? How could such art grow out of such dishonesty?

art grow call of such dishonesty?

Gittings flinches from none of these lines of inquiry, and comes up with a curious and compelling portrait. Hardy, as he says, was honest to the point of bleakoess in his poetry, and certainly way beyond the point of considering the feelings of his two wives, both of whom reacted with pain to his magnific

ings of his two wives, both of whom reacted with pain to his magnificent later volumes of verse.

By a strange paradox, Hardy's later flowering as a poet, after abandoning novels in 1895 with "Jude," reveals him not as a man who has weathered into hard-won maturity, but as a "permanent adolescent," with no inkling of the pain he caused others, whose feelings for women, passionate though they were until he was in his eighties, never developed beyond a certain stage of arrested enthusiasm. He could write better of the dead than of the living, of the distant than of the present. While Emms was alive, he offended her by celebrating the memory of his cousin Tryphena, and the existence of the literary and artistic ladies with whom he carried on inconclusive. History and first literary. with whom he carried on inconclusive flirtations. After Emma's death, he offended Florence by his outpouring of poetry to Emma, and his insistence on revisiting the places where they had first met and

oved. Yet Florence had herself beer one of those envied literary ladies more desired at a distance than u the unenviable role of housekeepe at dark, dismal, inconvenient May Gate. While he was woung her Hardy was kind enough to her considerate of her ailments, willing to pass off his own work over he signature in order to promote he career. Poor Florence was trapper as in a spider's web by these earl-favors, and Gittings recounts will insight and sympathy her struggle with the ghost of her predecessor despised in life, hallowed in deatl No wonder Florence was not sur whether Emma had been a morster, a mad woman or a poor victu like herself.

There is a hearthreaking pathe in the account of Florence's man rage, As Hardy, despite ill health lived on, stubborn and indomi able, she grew weaker, aging rapic ly. She caught his unpleasant char acteristic of snobbery; she we compromised into agreeing to sig Hardy's own autobiography as he own work, although after his dear she altered some of its grosser mi representations, particularly the that tried to pass her off as himma friend rather than Hardy's mistres Satires of circumstance, life's h

tle ironies-how well her own h was strewed with these, what a tr gi-comedy was enacted at M. Gate, where the Grand Old Mansh letter court. Much of the tale is summe up hy Gittings's account of her he rible and vicious dog Wessex, c whom both the Hardys doted, i the alarm of the neighborhood as the peril of the postmen. When t died, she wrote, "He was only dog, and not a good dog alway hut thousands [actually thousand of afternoons and evenings I would have been alone but for him." Spassed the glories of literary lif Will the novels ever look quite th same again?

Margaret Drubble's most rece novel is "The Ice Age." "The Washington Post

CHESS.

The eighth anoual Louis D. Statham International Tournament in Lone Pine, Calif., was won by Grandmaster Bent Larsen of Denmark with a 7½-1½ score. After a first-round loss to Jonathan Speciman of England, Larsen woo seven games and conceded one draw, to Grandmaster Lev Polugaevsky of the Soviet Union, to capture the \$12,000 first prize.

Polugaevsky woo five games and drew four to tally 7-2, taking the 87.500 second prize in the 68-player, nioe-round Swiss-system event.
Grandmasters Lajos Portisch of Hungary and Anatoly Lein of Cleveland shared third prize with International Master John Peters of the United States, each receiving **\$3,267**.

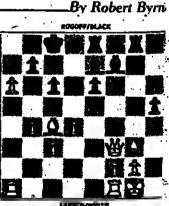
Grandmaster Tigran Petrosian of the Soviet Union and Larry Evans
of Reno. Nev., tied for sixth place with International Masters Ken-neth Rogoff of the United States and Hans Ree of the Netherlands and Master Vitaly Zaltsman of New York.

In the last round, while Polugaevsky allowed his chances for a first-place tie to go down the drain by taking a cautious draw with Lein. Larsen crushed Rogoff with a new gambit against the Caro-Kann Larsen's 7 N-K5 was directed

against the development of the hlack's QB; thus, 7...B-B4?; 8 P-QB3, P-K3? led to a disaster for Black in the game Karpov-Hort, Bugojno, 1978, after 9 P-KN4, B-N3: 10 P-KR4! P-KR4: 11 P-N5. N-Q4: 12 NxB. PxN: 13 Q-B2, K-

B2; 14 R-R3, Rogoff's 7...N-Q2; 8 B-KB4, NxN: 9 BxN has been considered a reliable simplifying line because 9...Q-Q4; 10 P-QB4, Q-K5ch; 11 Q-K2 would produce an end game only slightly in White's favor, However, it may be that Larsen would have ventured a gambit with 10 B-K2!?. QxNP: 11 B-B3, Q-R6: 12 P-

In any case, after Rogoff's 9...Q-N3. Larsen's gambit 10 B-Q3! was very strong, since accepting it by 10...QxNP: 11 0-0 would have given en Black enormous difficulty



Position After 21 . . . PEERF gerting his pieces out. On 10...P-B 11 B-N3. B-K3: 12 Q-K2. B-B2: 0-0. Rogoff had a choice of pawr but 13...QxNP?: 14 QR-N1. QxR 15RxP is hideous for Black, whi 13...QxP?: 14 KR-Q1. Q-N3; B-B5 is even worse.

B-B5 is even worse. Moreover, Rogoff's declining the gambin with 13...P-K3; 14 P-QF' 10-0-0; 15 B-QB4, R-K1 left the second sec with a weak backward KP and i sufficient mobility to offer resi ance to the strack Larsen began organize with 16 P.N4! Th 16...Q-Q1, aiming for 17...B-Q would have proven dangerous useless after 17 P-N5!, P-QB4; KR-Qi.

Consequently, Rogoff hoped stir up counterplay on the kings with 16...P-KR4 and 19...P-N4, b Larsen's attack came too quick with 20 P-R5, Q-Q1; 21 P-R6!
After 21...PxKRP; 22 PxPc
KxP; 23 RxPch!!, Rogoff saw 1
reason to continue with 23...Kxl 24 QxQBP! because there wou have been no defense to the doub threat of 25 Q-R6-mate and 25 Rich, KNI; 26 R-R8-mate. He h. to resign.

CARO-KANN DEFENSE

CINCINNATI, May 7 (AP)—
Cincinnati's Pete Rose has become the 13th player in major league history to reach the 3/000-hit mark.

It was the second hit in the game against Montreal on Friday for the 37-year-old Rose, in his 16th sea.

The crowd gave Rose, a Cincinnati native, a standing obtain for five full minutes and his teammates five full minutes and his teammates.

After Rose's milestone hit, his five full minutes and his teammates.

After Rose's milestone hit, his five full minutes and his teammates.

It was the second bit in the game against Montreal on Friday for the 37-year-old Rose, in his 16th season. He got No. 2,999 in the third

on the Reds left the dugout to con-gratulate him at first base. He was the intound that Rogers was unable to field cleanly. In the fifth, the switch-hitting Rose, butting left. Tons Perez, a former teammate

make his third appearance at the plate. The crowd continued to ap-plaud even after the next batter, Ken Griffey, approached the plate and Griffey waited until the ovation died down before preparing to

The Reds were trailing 3-1 when Rose recorded his 3,000th hit. He failed to hit his first time at hat

The all-time hit list is headed by Ty Cohh, who had 4,191. Others who reached 3,000 were Hank Aaron, 3,771; Stan Musial, 3,630; Tris on. 3.771: Stan Musial, 3.630; 17ts Speaker, 3.515; Honus Wagner, 3.430; Eddie Collins, 3.311; Willie Mays, 3.283; Nap Lajoie, 3.251; Paul Waner, 3.152, and Cap Anson,

Rose came into the season needing just 34 hits to reach the 3,000 pla-teau. After last season, during which he hatted 311 and had 204 hits, he totaled 2,966 lifetime.

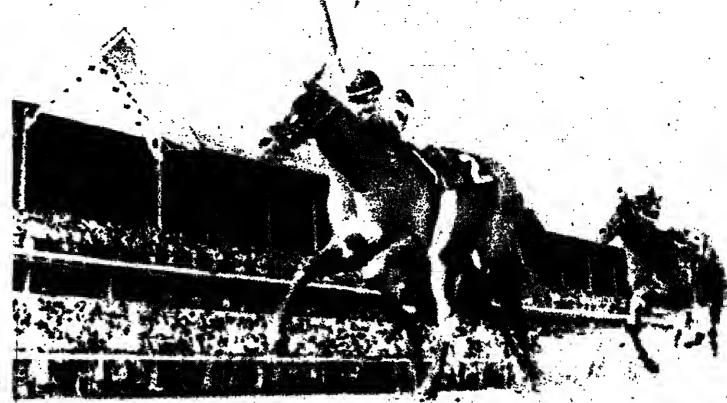
Rose broke into the majors with Cincinnati in 1963 as a second baseman after playing one year each with three minor league clubs — Geneva, N.Y., Tampa, Fla., and Macon, Ga.

Rose, whose uncle was a scout for the Reds, was the league's Rookie of the Year in 1963 and won his first NL batting title in 1968 with a .335 average. He won the batting crown two more times. hitting a career-high .348 in 1969 and .338 in 1973.

He has the distinction of getting the last hit at old Crosley Field here - a triple off San Francisco's Juan Marichal — and the first hit at the new Riverfront Stadium — a single off Pat Jarvis of Atlanta hoth in 1970.

Rose reached the 1,000-htt plateau in 1968 with a single off Dick Selma of the New York Mets at Crosley Field. He got his 2,000th hit in 1973 with a single off San Francisco's Ron Bryant at Candle-stick Park and No. 2.500 came at Riverfront in 1975 against Bruce Kison of Pittsburgh.

Rose passed Frankie Frisch as the all-time leader among switch-hitters in 1977 with his 2,881st hit



Steve Cauthen rides Affirmed down home stretch to win 104th Kentucky Derby

Affirmed Outruns Alydar in Kentucky

By Steve Cady

LOUISVILLE, Ky., May 7 (NYT)-A Kentucky Derby can have only one winning script, and the dramatic scenario in vesterday's running belonged to a golden colt named Affirmed and an 18-year-old jockey named

In a tumultuous three-horse battle royal, at Churchill Downs, Kentucky-hred Cauthen hrought his 3-year-old Florida-bred colt home a lengthand-a-half ahead of Calumet Farm's favored Alydar, who led third-place

Believe It hy a length and a quarter.

They said it would be Affirmed or Alydar, just as it was last season in

Czechoslovak Icers Defeat Russians, 6-4

By Samuel Abr

play when Alexander Maltsev slid a skillful pass through heavy traffic

goals by Cernik, once when he hap-

pened to be staboned just right lo-

Gap Increases

third period, the Czechs widened

their lead to 5-3 on a series of short

passes that ended with a foul and

then a melce that cleared both

benches. As the teams swarmed into a corner, at least four players

hegan trying to throw punches and

were all banished for arguing, as

the public address onnouncer

Playing three on three for five minotes, the Czechs scored twice to

raise the score to 6-3 before the

Russians got their final goal, also

during the penalty.

Those who want to ascribe the emotion of the game to sports rival-

ry point out that the Soviet Union

and Czechoslovakia have been the

two major international hockey powers for the last decade and that

their games are never meaningless

in the standings.

At the world championships last

year in Vienna, for example, the

Soviet team had simply to win or

tie its final game, against Sweden, to take the title from the Czechs, In

fact, the Russians lost, finished third and have returned to the

championships this year with a new-

And those who look for political

meaning observe that the streets of

Prague are abloom with twinned Russian and Czechslovak plags and hanners proclaiming friendship, in

preparation for the anniversd, they lined up to shake hands, immedi-

ately after the Czechslovak national

anthem was played in victory aod,

that rare thing, the spectators sang the words almost as loudly as they

had cheered the goals.

Helped by a penalty early in the

in the Czech nets:

phrased it.

coach.

PRAGUE, May 6 (IHT)—Czech two goals, one a breakaway hy Hel-uslovakia took a giant step toward mut Balderis, and one on a power uslovakia took a giant step toward retaining its world hockey cham-pronship here last night by beating the Soviet Union, its main challenger, 6-4.

The game, rich in political over-times, was one of only two the teams will play doring the world championships, where Czechoslo-vakta is defending the title it has won for the last two years. The victory left the Czechs the sole undefeated team in the eight-country. competition. It was the first defeat for the Soviet side after five victi-

ries. In the second game fast night, Canada was was trailing Sweden 4. when the Swedes caught fire and ran uff the next five goals, eventoally winning, 7-5. The foor teams will play in the championship round, beginning on Toesday, while the United States. Finland, East Germany and West Germany compete in the second group.

The Czechs lead the slandings.

with 12 points on six victories,

Nervous Start Playing before 15,000 speciators. almost all of them Czechskwaks, in the Sport Hall, the champions were nervous and ragged at the start, but. gained assurance onder waves of cheers at everything they did.

Rarely has a team been so acclaimed for simply bringing the puck up ice and even when the Czechs lost a face-off there was cheering that they had come off no worse than second-best. When Frantisek Cernik, a right wing, was stopped on a shot on goal, the noise was close to unendurable, and when Cernik did score seconds later, his ovation was riotous.

But the Russians scored the next

NBA Playoffs

More Sports on Page 13

Through the final eighth-of-a-mile io their mile-and-a-quarter test. It was flamingo pink and black silks of Harbor View Farm ahead, and the famed devil's red and bloe sidks of Calumet gaining. "Here comes Alydar." thousands of fans in the crowd of 135,000 hollered. "Keep going, Stevie," came the cry from thousands of others. "You got

Not Close Enough

Alydar went past Believe It, made op ground on Affirmed, hot never was able to get close enough to hook bim in the kind of head-to-head comhat they waged last year.

Depite the fact that Affirmed had beaten Alydar four times last year and had never finished behind any other horse except that rival, he was sent off as the second choice at 9-5.

Alydar, the sentimental favorite because of the popularity of 85-year-old Mrs. Gene Markey, the Calumet owner, was also the betting choice at

But it was the pro-Cauthen sentimentalists who got to spill a tear into their mint juleps as the youngster won the Derby on his first try. Two years ago around this time. Caothen finished last here on a 136-1 longshot named King of Swat in the first ride of what would become a meteoric jockey career. Last season, the kid from Walton, Ky., became the first rider whose mounts earned \$6 million in a single year. And yesterday, he and Affirmed, and that colt's trainer, Luz Barrera, got the roses and stlenced the skeptics who had said the chestnot colt had not been finishing his races as strongly as Alydar.

in the crease and Vasilij Pervukhin had little to do hot flick it in. The It was also vindication for 65-year-old Louis Wolfson, the controversial first period, full of action, ended prietime financier who hred Affirmed, and for Wolfson's wife, the former there.
The Czechs went abead in the Patrice Jacobs, whose father, the late Hirsch Jacobs, failed in nine Derhy secund period, led by two more

Barrera, who had been saying all week his horse should be favored, had shown his confidence before the race when sumebody told him, "May the hest horse win." "Yeah." replied the 52-year-old trainer. "May the best horse win — again." pened to be staboned just fight to have a stick save by the Soviet goalie. Vladislay Tretjak, land at his feet in front of the net.

Tretjak was a busy man for the period, which ended with the Czechs ahead, 4-3. He had 13 saves of his total of 33, compared to Jiri Hulecek, who had 20 saves overall in the Czech nets.

U.S., Cuban Fighters Win World Amateur Openers

their opening hoots in the heavyweight division of the second World Amateur Boxing Champion-

ships today, setting the stage for a second-round confrontation. Stevenson, a two-time Olympic gold medalist, easily heat Ghana's. Joseph Mensan when a powerful punch opened a cot over Mensan's

eye in the opening seconds of the first round. Mensan and retreated to his corner, forcing the referee to-

stop the fight;
Tuhhs, 21, of Pasadena, Calif.,
gave a lackluster performance io
outpointog Levai Istvan of Hongary. He moved slowly and methodically, keeping his distance despite having a height and reach advantage over the tough Huogari-

Tubbs' flotfooted style was in complete contrast to Istvan's fast jabs, coupled with fancy footwork. There were doubts as the threeround bout came to an end that Tubbs had won. But the jodges awarded him the narrow victory, setting the stage for his-fight with

Tubbs earlier had expressed confidence that he could beat Steven-

He told reporters on arrival In Belgrade that "Teofilo Stevenson and I are like [Muhammad] Ali and [Leon] Spinks. Nobody thought that Spinks would succeed and even the hookmakers were

BELGRADE May 7 (AP)—Teo-file Stevenson of Coha and Tony Tubbs of the United States wen The championships were slightly marred by polities when Libya's four boxers soddenly annionced they were pulling out because Israel

was represented. . The toughest fight of the afternoon program was hetween Venezuela's Pedro Camarro and Miodrag Perunovic of Yuguslavia

in the welterweight class. The two fighters slugged it out throughout the three rounds in toeto-toe punching. It appeared t hat the Venezuelan had won but the jodges took Peruoovic's obdity to take the heavy punishment into consideration and gave him the narrow victory.

NHL Playoffs

WHA Playoffs

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the best address in Paris.

Just a few steps aways from the Ecole Militaire, Padd is the biggest store in France specializing in riding

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world... selected for their superlative quality and tested by international-class riders and trainers. Padd's extensive stock of riding clothes includes gar-

ments that make ideal sportswear when you are out of the saddle. For instance: an elegant and very comfortable raincoat in 100% cotton, reversible beige and brown (F. 680), all-leather half-boots made to England (F. 300), or a fabolous blouson in oatural leather (F. 590).

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Pete Rose takes off for first on 3,000th hit.

Brewers Rally to Defeat Royals, 4-3 MILWAUKEE, May 7 (UPI)-The Brewers invercame a 3-0 deficit

iltree-run homer and a hases-load-ed walk to Ciorman Thomas yesterday to hand the Kansas City Royals their fifth straight loss, 4-3.

Bando's third home run of the season tied the game after Kansas City starter Paul Splittorff allowed

in the ninth inning on Sal Bando's

a single to Paul Molitor and a walk to Dick Davis. The home run came off of Doug Bird, who then walked Hiske and gave op singles to Sixto Lercann and Cecil Croper. Al Hrabisky replaced Bird and

ion, his third in the last five games, nad given Kansas City a 3-D lead in the seventh. The Royals had scored a run in the fifth on Frank White's squeeze hont and another in the second on a throwing error by Mol-

Twins 8. Orioles 7

At Baltimore, Rod Carew un-loaded a bases-loaded triple, his fourth hit of the game, to highlight a seven-ron, ninth inning that en-abled Minnesota to beat Baltimore. Marinery 6, Blue Jays 0

At Scattle, Paul Mitchell scattered seven singles and Julio Croz. Sieve Braon and Bill Stein drove in two runs each to lead Seattle to vicfory over Toronto. Mitchell walked two and struck out four in recording his first shutout and second complete game of the year

Angels 7. Indians 3

Ron Fairly hit a two-run homer in the first inning and pinch-hitter Mery Rettenmund cracked a grand slam in the seventh to spark the California victory over Cleveland. Chris Knapp went 825 innings to pitching. get his fourth triumph in six decisions. Paul Dade homered for Cleveland

Rangers 9, Yankees 5

At New York, Bump Wills's hases-loaded double keyed a fiverun sixth inning that helped Texas end New York's five-game winning streak. Wills doubled off reliever Sparky Lyle to score Bohhy Thompson and Jim Sundberg, giving Texas a 6-1 lead and sending the Rangers toward the eighth win in their last nine games.

Red Sox 6. White Sox 4
Red Sox 3. White Sox 0
At Boston, Jini Rice, who drove these runs in the first game, helt-feated the Philadelphia 76ers, 123ed a two-run homer in the nightcap to back the seven-hit pitching of Shim Wright in his first major-league tion's Eastern Conference finals. Shire, enabling Boston to sweep Chicago Rice hit his eighth home run of the season in the fourth ingression of the season in the seaso run of the season in the fourth in-ning of the second game, scoring Rick Burleson, who had doubled, shooting, laid it on the line for his wright allowed two hits in only one inning.— The fifth, but in only one major-league win. Boston won the first game 6-4 in 10 innings on a two-run homer by Dwight Evans.

Tigers 6, A's 0 At Dakland, Boh Sykes fired a four-hitter and Detroit backed him with a 15-bit amack in the Tigers' darlout of Oakland, snapping the A's tree game winning streak. All the hits off Sykes, a young lefthander brought up from the minors earlier in the week, were singles and the Oakland player got as far as third Sykes walked three and struck out nine. In the National League:

Reds 6, Expus 2

At Cincinnati, Pele Rose began his pursuit of the next 1,000 hits. Rose added two hits - incloding a

double during a four-run second in-ning that lifted Cincinnati to a 6-2 victory over Montreal and earned Tom Seaver his first win in seven starts this season. Rose, who be-came the 13th major leaguer to reach the 3,000-hit mark with two hits Friday night, helped posh the Reds to a hig lead in the second.

Pirates 3, Dodgers 2 At Pittshurgh, Willie Stargell hit a two-ron single and Grant Jackson hitter into the ninth, gave up a pinch-hit home run to Lee Lacey to open the inning and was replaced hy reliever Kent Tekulve.

Phillies 7, Mets 2

At Philadelphia, Greg Luzinski drove in four runs with a double.

Cardinals 1, Padres 0

St. Loois, John Denny pitched a two-hit shutout for his third win of the season and Garry Templeton singled in the only run in the seventh inning as the Cards hlanked the Padres

Braves 2, Astros 1 homer and sacrifice fly helping the Phillies hand the Mets their 10th linss in the last 12 games. Steve Carlton, 3-3, earned the victory while Pat Zachry, 3-1, gave op six while Pat Zachry, 3-1, gave op six the first transfer of the properties.

by a Pittshorgh pitcher as the Pirates heat Los Angeles. John Cantons in the first two innings. ntaking Brewers' starter Lary Sorensen, 3-2, the winner, Darrell Porter's fourth home run of the sea-

CINCINNATI, MAY 7 JAPI-Montreal's Steve Rogers allowed only five hits — one of them Pete Rive's 3,000th — in pitching the Expos to a 4-3 victory over the Reds on Friday

Home runs by Ellis Valentine and Larry Parrish led Montreal's attack. Parrish also had a run-scoring single in the eighth inning which gave the Expos a 4-1 lead, enough of a margin to offset Dan Driessen's two-ron homer for the Reds in the bottom of the

The game was held op for five minutes after Rose reached his milestone as the criwd of 37,823 at Cincinnati's Riverfront Stadium gave him a standing ovation. The last player to reach the 3,000-hit mark was Al Kaline in 1974.

Braves 5, Astros 2

At Atlanta, Tommy Boggs hit his first major league home run and recorded his first National League vic-tory as Atlanta defeated Hooston, 5-2. Boggs had a 1-Itl record during two seasons with Texas in the American League before the Braves acquired him in a trade. He worked seven innings, allowing five hits, before heing relieved by Buddy Jay Solomon.

Dudgers 7, Pirates 2

At Pittshurgh, Dusty Baker hit a two-run homer as Los Angeles joniped on Pittshurgh's Bert Blyleven for five runs in the first inning and coasted to a 7-2 victory over the Pirates behind Burt Hooton's seven-hit

Padres 2. Cardinals 1

At St. Louis, San Diego's Mike Champion singled home a run in the second tinning and Oscar Gamble tripled home another in the third to lead the Padres to a 2-1 victory over St. Louis.

Phillies 9, Mets 4

At Philadelphia, mokie Jim Morrison, filling in for

infored second haseman Ted Sizemore, had three hits to pace Philadelphia past New York, 9-4 In the American League:

Yankees 5, Rangers 2

At New York, Thorman Munson had three hits and drove in two runs to lead New York to its fifth consecutive victory and a triumph over Texas. The loss broke a seven-game Texas winning streak.

Orioles2, Twins i At Baltimore, Billy Smith's ron-scoring double in

the eighth inning snapped a scoreless tie and Balti-more went on to defeat Minnesota behind the foor-hit pitching of Mike Flanagan.

Brevers 9, Royals 0

At Milwaukee: Sixto Lezcano homered twice and Ben Oglivie office to back the four-hit pitching of Mike Caldwell and lead Milwaokee past Kansas City.

At California, Nolan Ryan putched the sixth onehitter of his career and his second shutout of the sea-son as California defeated Cleveland. Ryan lost his hid for a record fifth no-hitter when Duane Kuiper, hatting just 193, singled inside the third-base line in

A's 5. Tigers I At Oakland, John Johnson's four-hit pitching sent the A's to their fifth consecutive sictory, 5-1, over Detroit, in a match of American League division leaders. The A's record of 19-5 is the best in the majors.

Mariners 9, Blue Jays 1 At Seattle, Steve Braun drove in four runs and Rick

Honeyoutt pitched a four-hitter as Seattle beat Toron-

Denver Defeats Seattle

Bullets Beat 76ers, Take Playoff Lead

IUK, on Friday to tkae a 2-1 lead in the National Basketball Associa-

inning — the fifth. It was his first personals and three technicals were "They're playing the team concept," said Erving, "and we're doing the time-on-one stuff. With the depth we have, we can win the

series if get our act together." Cleorge McGinnis, who topped Philadelphia with 16 points in 24 minutes before fouling out, saw another problem "Too mans guss have personal things on their minds," he said

Following an extremely rough last hasket. It gave the Nuggets a game in Philadelphia Wednesday. 109-100 edge with 1:34 left. Seconds later, Bohhs Wilkerson Mihalak called 12 fouls in the first. three minutes

and hit a stoff shot. Another basket "The referees were under a hellu- and free throw by Wilkerson va hurden after the flasco of the helped pad Denver's lead to 114-second game." said Washington 103 with 31 seconds on the clock.

coach Dick Motta. "But they kept the game under control." At Denver, David Thompson hit three crucial tumpshots in the final three minutes and the Denver Nuggets overcame foul problems to de-feat the Seattle SuperSonics. 116-107. Friday night in the opening game of their National Baskethall

The Somes, who fell behind by as much as 13 points early in the sec-ond half, kept things close by scor-ing 47 points from the free throw After Seattle guard Gus Williams connected on a pair of free throws with 3:37 left to cut Denver's lead

Association playoff series.

to 102-98. Thompson soured high for a 16-foot jomper. Thompson was called for goaltending at the opposite end of the court, but then bit two straight field goals and tacked on a free when he was fouled on the

Denver center Dan Issel, who scored eight of the Nuggets first 12 points in opening up the hig third quarter lead, paced Denver with 25 points despite picking up his fourth foul midway through the quarter and his fifth foul with six minutes to play.

Thompson recovered from

> with 23 points and Anthony Roberts had 22. Scattle center Marvin Webster, a former Nugget, took game honors with 28 points and forward John Johnson had 21.
>
> The Sonics hit 47 of 62 free

from the line. Webster scored 13 straight Seattle points to keep the Sonics within the points to keep the Sonies within range midway through the game. After the Nuggets jumped to a 69-56 edge in the third quarter. Seattle then ran off eight straight points, capitalizing from the line, and pulled within five points.

The Sonies pulled within one point, 84-83 early in the final quarter but got no closer as Thompson's

poor shouting first half to finish

hest-of-seven series.

Lafleur scored his first goal of throws for the game, after connectthe game at 11:02 of the second peing on only two of their first eight

ter hut got no closer as Thompson's 3-point play Bohby Jones' stuff shot boosted the margin to see playoffs and first of the game at ifinal series.

Canadiens Rake Leafs, Lead by 2 in NHL Series

TORONTO, May 7 (UPI)—Guy allower play as he backhanded by Steve Shott and assisted on Lasteur's rebound over sprawling Lafleur scored two goals on assists hy Steve Shott and assisted on Shutt's first period goal last night to lead Montreal to a 6-1 Stanley Cup semifinal playoff victory over the Toronto Maple Leafs that gave the Canadiens a 3-1 lead in the

riod after taking a perfect feed from Shutt from the corner to give the Canadiens a 4-1 lead. Jacques Lemaire widened Montreal's lead to 5at 12:26 of the period.

In the third period, Lafleur added his seventh goal in eight playoff games at 5:08 on a two-on-one teach.

Lafleur, playing in his 75th ea-reer playoff game, tied for the lead in the playoff scoring race with 16 points, shared by Toronto defenseman lan Turnbull.

goalie Mike Palmateer.

At 13:09. Rick Chartruw backhanded a goal after stealing the puck from Toronto wing Stan Weir and firing it off Palmateer's left skate. Yvon Lambert's first playoff goal gave Montreal a 3-0 lead at 17:00.

George Ferguson ruined Mootre-

al goalie Ken Dryden's shutout bid at 8:50 of the middle period as he

scored his fifth playoff goal high

into the net.

Whalers Beat Nordiques QUEBEC, May 7 (AP)—Dave Keon scored twice and the New England Whalers best the Quebec Nordiques, 7-3, on Friday night to take a 3-1 lead in their best-of-sev-Shutt scored his fifth goal of the en World Hockey Association sem-

لمكنامنالخصل

Observer

The Caesar Papers

By Russell Baker

example It began as a record and more agreeable climate. Flavius turned into a movie. Movies used made a personal call. to turn into records, then intuposters, then into T-shirts, then Gaul bombed because the Roman into bubble gum

Richard Nixon's memotrs, a \$2nullion publishing enterprise, be-Presidencies Not The Best"

gan as a presidenused to begin as books and still do - Jimmy Carter's "Why for example—but nowadays the

into a presidency seems to be merely a small part of the grander plan to turn the presidenev into a multimillion-dollar hook bonanza

Although Nixon is being abused for this, he is not the first to do the trick Lyndon Johnson took an agreeable sum from CBS for a hook-and-television contract. Gerald Ford and Henry Kissinger turned public eminence intu dandy financial incomes from NBC televi-

More surprising, perhaps, was lulius Caesar's innocence about the financial possibilities of public office at the time he wrote his history of the conquest of Gaul. This may have been because Caesar had an out-of-date agent at the time he went to Gaul, an old-timer known as Marcellus of Naples.

Being of restless temperament, Caesar had decided to conquer Gaul for the exercise. "Why Gaul?" asked Marcellus. "Because it's there." Caesar said. Marcellus advised him to keep some nutes for a prissible book. These were the basis of his great work, which he summanzed in the wards "I came. I saw, I conquered," thereby establishing a level of immodesty frum which he never lapsed.

The book was a small succes d'estime and attracted the attention of Flavius of Syracuse, the hottest agent in the Republic, "With your ego and that clipped prose style." Flavius wrote him, "you are ready for the hig hucks, Caesar" (1 translate freely from the Latin here; Flacius's precise words were "ready for the big denuruses," the denarius heing the coin in which royalties

Caesar, meanwhile, had become

NEW YORK—So many things restless again and was planning to conquer Dacia or Cappadocia as soon as he found out which had the

"Julius." he said, "the book on reader is bored with places like Gaul. Say 'Gaul' to the average Roman, he thinks you're talking about his bladder. Dacia and Cappadocia-wurse. They sound like Successing.

"My husiness is conquering places, nut selling books," Caesar

Then conquer something interesting. Flavius proposed. Something that will give you a book so hig you can retire afterward and spend the rest of your life rolling in denuriuses.

Caesar asked what. Flavius said Rome, "Move into Rume, toss out the Senate and make yourself

emperor."
Caesar pointed out that this would change the course of history. "History, schmistory!" scoffed Fla-vius. "The purpose of history is best sellers. Anyhow, after you've got material for the book, you can retire to Capri and turn it all back over to the Senate."

The idea tempted Caesar, Histo-

ry, after all, would take care of itself, but who would take care of Caesar in his old age when the denariuses stopped coming in from the public payroll?

He told his friends, Brutus and Cassius, and urged them to get in touch with Flavius who could steer them into the kind of public activiges that paid off in royalties. They misunderstood. Unaware that Caesar intended to overthrow the Republic only long enough to get materral for his hig book, they assassi-nated him while he was in the midst of telling them what his contract provided

He was speaking of the five research assistants, 10 scribes, free parehment and gorgeous office space provided by his publisher, but he had saved the best for last.

"Et tu, Brutus," he grinned, referring to the 2-million-denarius advance. The knives fell, hul a

great tradition had been born. It was Shakespeare who finally cashed in on Caesar's big book. Shakespeare could have made 10 umes as much if he had overthrown Queen Elizabeth instead of fooling around with the theater, but he was afraid his writing style would ruin him in politics. He used subordi-

"We felt there would be a stampede to put in solar energy systems...We were amazed there was, instead, a stall in the business."

Clouds Gathering Over Solar Energy Industry

By Kenneth Fanucchi

L OS ANGELES—Joseph Sansing, an airline pilot, would have a hard time justifying the economics of the solar energy unit on his home in Calabasas. Calif. For the \$8,000 he spent on the unit. Sansing estimated he saves \$20 to \$30 a month on his electric hill-a savings rate that will take him years in recover his

But he would do it again because he believes strongly in conservation of natural resources and in what he thinks will be speciacular increases in the price of electricity and natural gas.

Geoffrey Fox, a California Institute of Technology faculty member, paid \$3,250 for a solar unit to heat his swimming pool because I didn't feel good about using natural gas for that

Henry Chab, a Chatsworth, Calif., engineer, who paid \$1,500 for a unit to heat the water in his condominium, did it, in part, because "it was the only way I had to fight back at high electrical Solar energy officials laud such motivations, feeling that the

Solar energy officials laud such motivations, feeling that the industry would be dead without them. But they are concerned that the basic thing needed to ignite the industry—a direct cost savings that is felt soon by the consumer—is missing.

"We're running out of the innovators who want to conserve energy because it's right," said Howard Kraye, president of Conserdyne, a Glendale, Calif., firm that installs solar units.

"Now, we have to go after the general public, which is a tougher nut to crack. Many in the industry are concerned about the current slow growth in the use of solar energy.

"We're all optimistic about the future of our business. But, quite frankly, many firms now in the business will not make it

quite frankly, many firms now in the business will not make it through to better times.

Profits and Losses

Kraye probably will survive, primarily because he has another business-luminous lighting for ceilings-whose profits cover his solar energy losses.

Others in solar energy are not as fortunate.

Mark Braly, who is Los Angeles Mayor, Tom Bradley's energy coordinator and is compiling a directory of solar energy business-

es, said a recent mailing showed the volatility of the industry.

"Out of 150 mailings in Los Angeles and Orange counties," he said, "about 20 came back saying they no longer are in business. At this time, solar energy is a very sheky business."

He estimated there were more than 100 businesses either manualities.

facturing or installing solar energy products in the two counties. Throughout California, he said, anywhere from 2,500 to 3,500 persons are employed in some aspect of the industry,
"We had to lay off 30 people since Christmas," said Bob

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Schlesinger, president of a solar energy company. "We still are going to produce more units this year than last, but nothing like what we had every reason to expect.

Schlesinger, however, is not critical of California Gov. Edmund Brown jr., one of solar energy's higgest boosters, who also lambastes the federal government for "dragging its feet" on an energy program. "He seems to have a good understanding of solar energy." Schlesinger said.

Tax Credit

Schlesinger and others praise the state of California for adopting the 55-per-cent tax credit—up to \$3,000—for persons putting in solar energy units, which, in effect, cuts the cost of installing the units in half.

They thought the measure would have caused a tremendous spurt in solar energy installations—and are mystified that it

"We felt there would be a stampede to put in solar energy systems," said Greg Cook, a public information officer with the federal Department of Energy in southern California. "We were amazed there was, instead, a stall in the husiness."

He conceded that the absence of a federal energy policy, which,

when it comes, is certain to increase the cost of natural gas and also proposes to give a tax credit to solar energy users, may be

one of the factors inhibiting growth in the industry.

"But there are other factors," he said. "There is a lack of a standardized code affecting solar energy units. California is working on one, but is in the unenviable position of being the first

state to draw one up. "Without a dode, the buyer is required to do his own research finding a company, checking out its competency, looking into the good and bad points of competing systems. Not too many people are going to take the time to do it.

What bothers industry officials is that the stall in the industry has come at a time when they believe it pays to put in solar Solar heating units for swimming pools are the most cost-effec-

At the average cost of \$2,500 for purchase and installation of a pool unit, industry people believe the payback time is relatively sbort, from three to five years, considering that monthly gas bills of more than \$100 to heat a pool in a cold month are not uncom-

The payback on domestic water heating is longer term at today's gas prices, shorter term for replacement of electrical heating systems. The cost of putting in a domestic solar water-heating systems range from \$1,200 to \$2,000.

1. Los Augeles Times

Betty Ford Goes Home

Smiling broadly, former first lady Betty Ford left Long Beach Naval hospital after nearly four weeks of treatment for addiction to alcohol and medication. She didn't talk to and medication. She didn't talk to reporters, but when asked how she felt, she replied "Just line." Members of her family were not present. A spokeswoman said-that former President Gerald Ford and the couple's children were at the Ford home in Rancho Mirage near Palm Carrings. Springs.

Bob Barrett, a Ford family spokesman called Mrs. Ford's

treatment at the hospital a com-plete success, saying that she's in magnificent health. He added, however, there is the need for continued ever, there is the need for continued awareness, as there is with any of chemical dependence. To maintain that awareness, Barrett said, Mrs. Ford is considering weekly or monthly group activities. Mrs. Ford was admitted to the hospital's alcohol and drug rehabilitation center April 10 with what was described then as a problem with medication. For years she has suffered from arthritis and a pinched nerve in her neck and was taking nerve in her neck and was taking several prescription drugs, Barrett has said, "I was overmedicating myself." she said in a statement shortly after entering the hospital. In a subsequent statement she said.

I have found I am not only addicted to the medication I have been taking for my arthritis but also to alcohol."

Adeline Gence, the Danish-born ballerina who captured European and American hearts at the turn of the century, is drawing dance fans to a London museum. Her photographs, posters, programs, costume. designs and personal mementoes went on exhibition this week for a four-month run. Britain's best-known ballerina. Dame Margot Fonteyn, described Miss Genee as that exquisite gift from Denmark who shone like a bright star for 10 great years at the Empire Theater." Miss Genee arrived in London in November, From her first night in "Monte Cristo" she was a star. For 34 years she headed the Royal Academy of Dancing, an association of ballet teachers, and she chose Margot Fonteyn to succeed her in 1954. Miss Genee died in 1970. The exhibition at the Victoria and Albert Museum marks the cenlenary of her birth. . . .

Eight young art students — seven British and one Belgian — have found a new branch of sculpture: turning into works of art three discased elm trees that would other-wise be for the axe. The students have moved into London's Hyde

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From Addiction Center Park with wood chisels, mallets, chain saw, four frame saws, severa-small axes, three large ladders, a block and tackle, scallolding and

block and tackle, scaffolding and trolley. The six girls and two youn men will work for about eight weeks on the project, the brainchild of impresario lan Hanter, under the sponsorship of the Capitol coin mercial radio station. The operation is being supervised by Britist sculptor. Nicholas Pope, whos work has been purchased by the Tate Gallery, Just what will emerg remains to be seen. As Pope put it within is not like parachuting a fin This is not like parachuting a finished sculpture into public view. is giving people a chance to see it final form emerge, stage by stage

* * * American singer Helen Reddy wired in London Saturday for he first British concert for three years The Australian born star, who the rived with her husband and manager. Jeff Wald, said that she have to record her first live album while performing at the Palladium. She to give four shows one each un Thursday and Friday and two saturday, then return to Los Angel

Black South African actor William Nishoun said here saturda that he was detained for nine hour at Nairobi International Airpo because he had no acceptable cu rency to pay his visa fee. Nishon arrived here late thursday night play a feature role in the U.S.-pri duced movie "Ashanti," current being filmed in Kenya. He said I was only carrying currency from Botswana on his arrival and th. sirport officials refused to change into Kenya currency so he coupay 15 shiftings (about 52) for visa. It was only after he manage to telephone the movie's associa producer John Vuille, who came the airport and paid the fee, I said, that he was released.

Hustler magazine owner Lar Flyat may begin physical theraphilis in a week to 10 days, says his do tor, Larry Carey, chairman of the Ohio State University Departments of Surgery, Flyat, parafyzed for of Surgery. Flynt, paralyzed fro outside a courthouse in Lawrence ville, Ga., where he was being tri on obscenity charges. A mistri was declared after the shootin Flynt was in satisfactory condition Sunday at University Hospital in private \$106-a-day room protect by university police and Franki County sheriff's deputies. Car-said Flynt, 35, "is healing well an nutritionally, he looks good."

-SAMUEL JUSTICI SITUATIONS WANTEL

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PARIS. MAY, 1978

Luxembourg Banking and Finance

Grand Duchy Paces Growth With Euromarket



An overview of Luxembourg Stadt.

(Continued on Page 5) Foreign Banks: Europe Steps Up as U.S. Winds Down

UXEMBOURG (IHT)—The New York bank with a unit in Lux-decision of the California- embourg, "we'd probably think hased Wells Fargo Bank last year to transfer the bulk of its foreign AN-ENGLIPPET encouraging with the peta encou exchange and money-market business from here to London left a sour taste in many Luxembourg

Eurex

Computer System Brings

Automation to Trading

he ambitious Europeao

e being mounted here to pro-computerized market for Eu-

trading, continues Luxem-

s close involvement with the

initial business of the Euro-

L of course, was in interna-

bonds, with the credit and

market activity developing

wards. The Luxembourg

quickly became the main ex-

for listing Eurobonds. Then Cedel started up as the sec-

earing bouse for bond trad-

which is conducted almost

ly over telephone and

dealers and marketmakers

the national financial capi-

dea of using a computer to an the time-consuming (and time) task of matching hids

fers was taken up by the abourg bourse and led to the

thment last year of Eurex, a

tal group of banks.

Let a plan is to program a syslem

a syslem user orders with the

entity owned by an inter-

inket-maker quotes, execute worket-maker quotes, execute ade, confirm the exchange

hen clear the transaction. In

ion, the system will be pro-

A service on trades, yields,

ough there are reservations

akers, Eurex seems clearly

Cinany bankers, especially

an idea whose time has come.

wers a long-range require-

a worldwide market," com-

Edmond Israel, manage-

oard member at Banque tionale a Luxembourg and a

of the Eurex board.

a project is in line with a

direction, it has to

mber of shareholders has for the charter group of 28

and more are on the way.

of the service is set for Jan.

described our plans, there's

warm reception," he said in broke, "People didn't imag-complete it would be." to bankers still express reti-

to them the system seems and banks may find them-

doing business with someone

not necessarily want to do

with Marketmakers argue advantages of Eurex as an maion system are greater for ter, who is surer of getting

Grisius counters that these

are taken into account and

then provides for exclusion ding partners and orders of serce. He also feels that the system will actually consoli-

the position of marketmakers were will no longer trade tach other. Mr. Grisius esti-

that up to two-fifths of eur-

Mr. Israel addresses what

e said. "Eurex is meant to

trader to keep track of mar-

opments and to actually

ers of Eurex point to paral-

ps the underlying fear."The

ment won't be eliminal.

hades bypass marketmakers.

Rivals

Warm Reception

dvartising Agent, and Henri Grisius, execu-

velooment.

Laxembourg has never had a

ional capital markets.

EMBOURG (IHT)-Eurex, embourg is its physical location

The network extends throughout

Europe and is plugged into its two rivals-Euroclear, the Brussels-

based bond-clearing firm, as well as Cedel, Still, the banking communi-

ty here welcomes the idea that Eu-

rex will heighten Luxembourg's

Cedel itself added two new ser-

vices this year to become more competitive. At the beginning of

the year, the clearing house intro-

duced a plan enabling participating

dealers to establish a credit line

with certain banks. This standing overdraw facility matches a service

already offered by Euroclear, But

the Brussels firm was founded and

is still operated by Morgan Guaranty, whereas Cedel, a sepa-

rate incorporation, did not have

this direct backing from a bank.
In March, Cedel arranged for the lending and borrowing of the bonds among participants. Lenders

have a chance to earn extra interest

on the bonds deposited with the

elearing house, and borrowers have

a quick way to cover short posi-

are functioning well. The clearing organization also registered a grati-

lying growth for 1977. Turnover for

the year rose to \$38.5 billion from

\$29.7 billion the previous year. The number of participants rose to 847 from 766, and the number of issues

in the system was up to 2,410 from

\$16.4 billion from \$11.9 billion.

Profit was up 17 percent to \$566,000 and Cedel again paid a 5

percent dividend to its sharehold-

is the main exchange for Eurobond

listings, also grew registering a

strong increase to new issues, albeit not quite so strong as in 1976. In

The Luxembourg bourse, which

2,004. Deposits of securities rose to

Cedel reports that both services

profile as a bond-trading center.

Other American banks, some-what more discreetly as a rule, have also wound down their Luxem bourg operations. With the exception of Bank of America and First National Bank of Boston, most U.S. bank branebes and subsidiaries are treading water-"maintain-

ing a presence."
On the other hand, Scandinavian banks, freshly liberated by their central banks, are streaming into Luxembourg (some with a gentle push in that direction from the authorities). Swiss banks have-strengthened their presence and house their presence and house their presence and house the strengthened the strength boosted their activities, and Italian banks are making their first steps into the market.

"I think many American banks don't know wby they set up here," remarked one American. "They just wanted to be wherever there might be action."

The number of American banking operations swelled from six in 1970 to 17 by the end of 1973. Altrition and consolidation reduced that number to 13 at the end of 1977, but not even that properly indicates the decline of American ac-

uvity in Luxembourg.
"If we were starting up now," confided the representative of a big

This Report

twice about it."

For the Americans, the matter is simple—the corporate tax bite in Luxembourg makes genuine offshore centers like the Channel Islands, Nassau, or maybe eventually New York much more attrac-

tive for handling loan business. No Leftovers

Americans concentrate their Euromarket activities in London and do not really have much left over Luxembourg except agency for work for corporate customers. The British banks never bad a reason to go to Luxembourg and show no in-clination to do so now. The Dutch have a much better deal in the

Antilles. But the banks that do come here have very clear conceptions of what they are looking for. The Swiss came looking for a market in which to pour their fidu-ciary funds. "We are money sup-pliers for the other banks," said Walter Kobel, assistant director of

Union de Banque Suisses (Luxembourg) S.A. "We channel the capi-tal surpluses out of Switzerland. No other banking group plays this role of giver."
The German banks, which are

The German bases, refinancing for their credit activities, especially appreciate the Swiss presence. The Swiss banks, too, bring their expertise in investment management.
While no one expects Luxembourg
to become a little Switzerland for private investors, most see considerable room for expansion in servicing the private customer with-to American jargon-high net

worth."
"We are developing a specialization in investment management

why they set up here,' remarked one Ameri-

'I think many American banks don't know

can. They just wanted to be wherever there

might be action.'

here," explained Patrick L Cunningham, vice-president and manag-ing director of Bank of America International S.A. Bank of America just completed a reorganization of on the way. The main reason for its international structure which entailed consolidation of its two Luxembourg subsidiaries (the other was called Bank of America S.A.) concentration of Euromarket activity in London. Mr. Cunningham and others see

pickup in interest from private investors for depositing their mon-ey in Luxembourg, expecially in the wake of the Swiss measures block-ing securities investments by for-eigners. (The Swiss deny the measures adopted to quell short-term currency unrest will divert any sig-nificant number of investors to the Grand Duchy.) Although Luxembourg calls attention to its tradition of bank secrecy, its very presence in the European Economic Community-leaving it subject to any com-munity-wide disclosure regulations that may be adopted—makes it suspicious for the tradional Swiss

The arrival of the Scandinavian banks has been greeted with enthu-siasm. The number of banking

units from the Nordic countries rose to 10 at the end of last year from just three at the end of 1975, and at least three or four more an credit ceilings in the home countries and provide Eurocredits for the incustry there. But these newcomers fully intend to engage in a broad range of activity and seem committed enough to Luxembourg to constitute a weighty group on the model of the German units.

"We were already in London with a consortium bank," said John Rammer, general manager of Der Danske Bank International S.A. explaining wby the bank's first unit abroad was set up bere. "Luxem-bourg looked easier and perhaps cheaper, although corporate taxes are much higher than in Denmark." It was only in the summer of 1976 that the Danish central bank gave the green light for foreign subsidi-aries, and in November of that year, the Luxembourg unit was in business.

Mr. Palmer ooted that Danske's Luxembourg unit reported its bal-ance-sheet. Volume at 15 billion Luxembourg francs (\$475 million)

at the end of last year. "That's as big as an Edge-Act bank in the U.S.," he remarked. "In principle, ness is such that the hard competition for Euroloans is not linked directly to the Luxembourg presence. Much more important for Luxemwe are ready to engage in full international operations—but they must be profitable." He added, though, that their growth might be limited bourg is the growth of the market by the requirement of keeping capital at 3 percent of balance-sheet

The first Danish bank to arrive was Privatbanken International (Denmark) S.A., which started up in October 1976. Ole Bruun, assistant general manager, said the balance sheet at the end of the first quarte: had already reached 13 bilbon francs (\$412 million). But Mr. Bruun doubted that the Danish or other Scandinavian banks would repeat the German growth. "We are smaller and the difference in size v/ill keep expansion more moderate," be said.

The Scandinavians, though, are now numerous enough to create a market in their own currencies. Moreover, they are interested in taking part in the DM money market, but they also have brought a lot of dollars with them.

Closer Ties

"We can help create closer ties etween London and Luxem-ourg," Danske Bank's Mr. between bourg," Rammer said, "because we have always worked closely with London." He said Luxembourg could no longer be regarded as an offshore center, but has become a financial center in its own right.

There are four Norwegian representations in Luxembourg (they were the first in arrive), and two each from Sweden, Denmark and

Noticeable in the friendly reception given the Scandinavians is the absence of a highly competitive Gives Relief To Bankers By Darrell Delamaide

Tax Packet

UXEMBOURG (IHT)-Eurocenter Luxembourg is here to stay. The Grand Duchy's growth as international financial center has kept pace with the mushrooming development of the Euromarket itself and now the Luxembourg market has reached a critical mass-it is important enough in its own right that it will survive as a

market center. This optimistie appraisal of banking in Luxembourg, shared by government officials and the banking community, is always accompanied by a warning, however. The legal and fiscal framework for foreign bank operations here must remain attractive enough in comparison with other Eurocenters that the banks will not take their busi-

Most U.S. banks already have decided that it is cheaper or more convenient to bandle international activities in the Caribbean and newer offshore centers like Singapore. The tax package presented by the Luxembourg government last October marks an attempt to remedy some of the Grand Duchy's competitive disadvantages.

But the problems presented by even this modest effort indicate how hard the task can he and the vulnerability of the Euromarket operations here.

The fiscal packet has granted relief that foreign bankers have long been seeking-particularly a tax break on foreign withholding taxes (to make up for Luxembourg's lack of double-taxation accords) and more generous provisions for risk

The government's proposals, though, fell short of what the bankers had hoped. Nevertheless, even though the measures only created conditions already present in Lon-don or Zurich, the package aroused suspicions in neighboring countries that Luxembourg was trying to create a tax haven, encouraging pri-vate investors to take their busi-nesses to Luxembourg banks.

Luxembourg has never been a tax haven for foreign banks and certainly will not become one through the current proposals. But the reaction to these proposals and (Continued on Page 4)

The Five-Point Plan

(Continued on Page 9)

UXEMBOURG (IHT)-Last October the Luxembourg government announced a fiscal package to relieve some tax burdens on the banks. The measures of this "five-point plan" have been sought by the foreign banks for a long time. They maintain that the measures simply bring business conditions in Luxembourg closer to those in other European centers and that they do not create any new competitive advantage for the banks. The measures are: · Removal of the 10 percent value-added tax (VAT) on gold

 Tax credits for foreign withholding taxes on interest payments. This is designed to compensate for Luxembourg's lack of double-taxation treaties. It provides that taxes on interest payments with-

held at the source can be counted against the Luxembourg taxes on income from that interest—on a country-by-country basis. Elimination of a 5 percent coupon tax on Luxembourg bond

· Elimination of stamp duty (0.1 percent) on certificates of deposit (CDs) denominated in a foreign currency. Global value adjustments of up to 1 percent on secured credits.

This allows Luxembourg banks in create general (tax-free) reserves. Previously, global reserves of 1.5 percent could be created only for unsecured credits.

The gold measure was attached to the 1978 budget bill and became effective at the beginning of the year (beating a European Economic Community deadline on this type of change). The other three tax measures (tax credit, coupon tax, stamp duty) are contained in a bill currently before the Chamber of Deputies. Passage is assured and expected soon. The measures will be retroactive to Jan. I to the extent possible. The proposed legislation also would boost the subscription tax on holding companies to 0.20 percent of total assets annually from 0.16 percent, to compensate in part for revenues lost through the other measures.

The fifth point in the package, the global value adjustments, is to be implemented by administrative order and is not part of the

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Trying to Decide Which Local Banks are 'Domestic'

UXEMBOURG | IHT)—Amid the international and Eurohanking activity in Luxembourg, it is often difficult to decide which

hanks here are "domestic."

In addition, given the Belgo-Luxembourg Economi: Union, a wide
interpretation of domestic would
include all of the Belgian banking operations in the Grand Duchy.

Krediethank Luxembourgeoise is case in point. Does it, or doesn't i, rank as a domestic bank?

Founded in 1949 as a subsidiary of Kredietbank Brussels, the unit functioned until the 1960s as the hranch in an area that for financial purposes could be regarded as

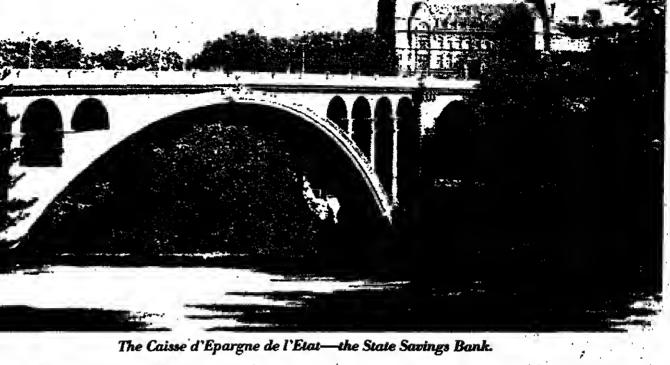
"We're the most foreign of the domestic banks and the most do-nestic of the foreign banks," commented Andre Coussement, general manager of KBL. He noted that the recent reorganization of the Krediethank group, transferring KBL to direct ownership of the holding company, made the Luxembourg operation a sister rather than a daughter of the Brussels bank.

The change will make KBL more prominent and put even greater emphasis un its role in the Euromarket on behalf of the group. Mr. Coussement said. Still. KBL has three hranches in Luxembourg and does a considerable amount of re-

Clearer pedigrees can be found for the Big Three commercial banks—Banque Internationale a Luxembourg. Banque Generale du Luxembourg and the Caisse d'Epurgne de l'Etat-Banque de l'Etat. Banque Internationale (BIL) was founded in Luxembourg in 1856 as a private bank with an international orientation. Caisse d'Epargne was established the same year as a state guaranteed savings bank. Banque Generale was al-ready around in 1919 as a branch of Societe Generale de Belgique. and in 1935 was incorporated as a Luxembourg company.

World War II

Caisse d'Epargne was integrated into the German savings bank system under the Occupation during retail b. World War II. and the bank was reconstituted afterwards as a universal hank. It is the largest domes-



tic hank with a (1976) balance-sheet volume of 98 billion Luxemhourg francs (\$3.1 billion).

BIL, through a series of events—including the 1976 merger with Banque Lambert-Luxembourg—is now 40-percent owned by Banque Bruxelles Lambert, Through the ups and downs of its history, though, BIL has retained its right. to issue banknotes (Luxembourg has never had a central bank). It is the second largest domestic bank, with a 1977 balance sheet totaling 70 billion Luxembourg francs (\$2.2)

BIL engages in commercial and retail banking, syndicated loans, hand trading and manages Luxem-hourg franc issues. The bank also holds a 50-percent interest in

Banque Continentale du Luxem-bourg (the other half is held by Hessische Landesbank Girozen-become, more harmonized as deal- Mr. Germeaux noted that Caisse trale of Germany) and 40-percent of Banque Commerciale (the rest belongs to Banque Nationale de Paris), which was founded follow-

ing World War I.

We are stressing the international side more than ever," said Edmond Israel, BIL management board member. We recently opened a representative office in Singapore. We believe that South-east Asia is very important for commercial and financial links."

Besides uiding in the export of Luxembourg steel and attracting industry to the Grand Duchy, Mr. Israel said 81L hopes to help link the two international financial cen-

"More and more, this free market is a worldwide market where

ing houses go around the clock, but the framework is still a little vague. Linking two centers like Singapore and Luxembourg could be instru-mental in furthering this harmo-

But he hastened to add that domestic business is still very important for Bil. The bank is becoming increasingly "universal" and offer-ing a higger palette of services.

Caisse d'Epargne, on the other hand, while working to remove its slow and bureaucratic image, is in no hurry to go abroad on the model of the German central savings hanks. Henri Germeaux, assistant director at Caisse, said fhat there is no need "at the moment" for the hank to go abroad to folfill its:

d'Espargne is the "house bank" for many American firms active in Luxembourg. The bank also holds deposits for many of the foreign banks operating to Luxembourg without becoming too involved in the Euromarkel activities.

Across the Way

Caisse d'Epargne, by virtue of its high market share in private savings accounts (50-60 percent), has usually determined domestic interest rates. "The savings-account rate becomes the key rate," explained Mr. Germeaux, noting that the Grand Duchy avoided the big fluctuations of the Belgian interest rates despite the monetary union. Across the way, meanwhile,

plans for strengthening the bank international activity. KBL enabled the Kredictbank group in 1973 and 1975 to top the list of European's managers. But then, Mr. Crosse. I ment explained in an interview. their share slipped for two reasons. The interest rate structure was suchthat Eurobonds were no longer-so the source of KBL's placing power -Also, bonds denominated in Europe pean Units of Account—Krediet, bank's specialite and "the only way you could borrow in 1975," according to Mr. Coussement—faded from the scene.

"But we increased our profits" from the issuing business in 1978 and 1977. Mr. Coussement said. He explained that KBL specialized in private placements, primarily for Scandinavian borrowers. Also, I've spent half my time abroad, expanding our placing power. he

He noted an expansion in KBL v. commercial activities and greater engagement in syndicated loans, "But we bid for medium-sized busness—\$25 to 30 million." Mr. Coussement said. "Why take 55 million in a \$200-million loan to." Ireland. The Irish will never be grateful to you." A small Scandinavian city of a company, however, would be a grateful customer, he

Mr. Coussement is also enthusiastic about advanced payment and performance bonds, especially for projects in the Middle Fast. He-called attention to a \$60-million performance bond for Lockheed Corp, managed by KBL last year.

For the purpose of domestic finance, particularly to fill the gao. for medium and long-term capital for industrial expansion, the government last year created the So-ciele Nationale de Credit et d'In-vestissement. With Caissy d'Epargne, the new institution is the only public-sector financial institution in Luxembourg (Caisse d'Epargne fulfills the functions of government treasury—including the issue of smaller banknotes and

Rounding out the domestic of ture are the two cooperative har Caisse Centrale des Associate Agricoles Luxembourgeores, § Fortuna Societe Comperative !! Credif et d'Epargne

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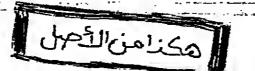
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January, 1978





remier Gaston Thorn on the State's Role in the Euromarket

EMBOURG (IHT)—In an enview, Luxembourg Pre-aston Thorn discusses the foreign banking in the buchy's economy with Dar-ismaide of the IHT. The tent chief also bluntly ad-the problems arising from ourg's role as a Euromarter within the European rket and Luxembourg's

helamaide—The number of Linembourg has quadruthe last 12 years; the baleet totals of all the banks my amount to more than illion Luxembourg francs. le does Eurobanking play exembourg economy? Has crisis made foreign bank-

hern-The banking sector second largest private em-(after the steel industry) re than 6,000 people—alpercent of the active popu-on its payroll. While the justry's share in our GNP w diminished to about a the development of the sector comes just in time how compensate these loss-hanking sector already is est texpayer in the country. ast decade, about 4,000 new re created in this sector. Fiactivities help us to keep mee of payments favorable a 9 billion-franc trade gap

uxembourg is currently new industrial investment e United States and else-Is Luxembourg's developa financial center a selling rattracting new industry?

ne Euromarket, compled a transfer of capital, offers investors a range of finanfities which they are not find anywhere else. That is n asset. The smooth operahe center, its reputation for nce and efficiency further points we are making to v investments.

RATION

'Good luck and success always breed some jealousy. But I think we

were able to convince our neighbors that their fears are not justified,

that the Luxembourg financial center does not work against their

basic interests. Certainly the government has no intention of condon-

ing any such activity.

of the European Economic Com-munity, particularly Belgium or tion.

West Germany?

O—What are your major con-

neighbors that their fears are not justified, that the Luxembourg financial center does not work against their basic interests. Certainly the government has no intention of condoning any such activi-ty. Luxembourg has survived the recent monetary and financial turbulences without any notable crisis. Once again the liberal but very real and competent control exercised by the Banking Commission has proved its effectiveness. Being conscious that a small-sized country benefits a lot, or even most, from the free circulation of people, goods, services and capital, Luxembourg fully accepts EEC policy in those matters and entirely respects its EEC obligations.

But as long as harmonization of the fiscal systems and of the tax a financial center. collecting procedures is not activatrifice ourselves and do other people's and other countries' job of stopping the gap in their own fiscal policies. We have never refused to discuss real problems; we have almost always found sensible solutions, but we don't intend to be a

On the contrary, we feel that Luxembourg is fulfilling a useful function in the international money

at December 31st, 1977 (in mousands of lux francs)

Q-What are your major con-A—Good luck and success al-ways breed some jealousy. But I think we were able to convince our ation is vulnerable to forces beyond the control of Luxembourg or

anybody else for that matter? A-Transactions with non-residents as well as transactions in foreign currencies represent about 80 percent of the banks' total business volume. Among the 94 banks, only 12 are of Luxembourg or Belgian origin. But the money flows through rather than to Luxem-bourg. Although large amounts are involved there is little if any repercussion on the national economy, apart, of course, from the banking activities in themselves. So there is no disruptive effect on the national economy and consequently no temptation or pressure to bend these international financial flows to national objectives which is another attraction of Luxembourg as

O-What direction do you see 'ed within the community, we don't the world monetary system taking, see why we should be asked to sac- and what role do you want Luxembourg as a Eurobanking center to play in the near to medium term the next five years? What dangers lie in the near future?

> A-Unfortunately, economic and financial activities are presently very negatively influenced by the sharp fall of the U.S. dollar, It is not merely the weakening of the U.S. corrency which seems to cause

the next few years, Luxembourg's anking sector will remain dynamic, though its expansion will per-haps be at a slower rate. I think that above all the financial center's relations with non-industrial countries could be improved. Presently banks' activities concern Western European countries. Only a few banks have their origin in a country of the Third World.

A lot needs to be done to profitably and sensibly recirculate money so abundantly available in the OPEC countries and elsewhere to finance development, for instance, and the restructuring of the world economy. Luxembourg can play a useful role bere. First steps are already taken, but they must be followed by others. .

Q-Do you think Luxembourg can remain "competitive" as a Eurocenter?

A-A main concern of the gov-

ernment is certainly to maintain the competitiveness of the financial center. Therefore, the banks established in Luxembourg must be offered the same or better conditions than elsewhere, in London or Zurich. So this government recently adopted these measures in order to ease or eradicate certain fiscal handicaps which have disadvantaged Luxembourg-based banks as compared to banks located in other centers. But above all the development and the reputation of Luxem as the growth of Luxents and one which would other markets and one which is rather the uncer
The probability of the EEC's existing financial center of seat of the EEC's existing financial center of the



telecommunications system, the bilingual and even largely trilingual population, the healthy political

development in the EEC itself that would lead to the the establishment of a new community institution or

Luxembourg's

Premier

Gaston

Thorn.

1968) and the European Monetary

The EEC shows little progress at Cooperation Fund (since 1973). The benefits are reciprocal: the EIB the moment in the institutional field, I am convinced however that has almost certainly drawn advanincreased cooperation and common tage from Luxembourg's growing international financial position. action in the monetary field is a priority in the present difficult economic situation. The existing in-struments should, however, be able to cope with our present needs.

BIL reports good results in 1977

at maximum one month	24.699.357
Term deposits with banks	18.496.798
Deposits with non banking financial Institutions	1.394.200
Bills and notes	2.273.184
Loans and advances	20.291.611
Securities	3.329.300
Fiduciary accounts	3.365.915
Miscellaneous	1.404.856
Fixed assets	1.779.288
	77.034.509
Lisbilities	
Current liabilities: Banks	23.991.415
Non-banking financial institutions Deposits	548.588 44.415.3 <u>54</u>
Miscellaneous	1.758.282
Touciary accounts	3.365.915
riduciary accounts Shareholders' equity and borrowed cap	

Cash and deposits with banks



243.868

77.034.509

International services expanded

1977 was an eventful year for Banque Internationale à Luxembourg (BIL), Luxembourg's oldest bank founded in 1856 - and one of its largest and most

At the end of 1976, the Bank had taken decisive steps to expand its domestic and international operations by merging with and absorbing Banque Lambert-Luxembourg. Despite the problems and an initial burden of extra administrative costs inherent in a merger of this magnitude, BIL is glad to report satisfactory overall results for 1977. Total assets grew by about 10 per cent to over Lfrs. 77 billion accompanied by a corresponding increase in earnings.

In addition to its comprehensive coverage of the domestic market and the privilege to issue bank notes, BIL is expanding its international services. Operating in one of the world's foremost financial centers, the Bank one of the word's foremost maneial centers, the Bank offers a broad range of international facilities including Eurobonds; syndicated Euroloans; security trading; foreign exchange and money market transactions; portofolio management; and domiciliation of foreign corporations and trusts. Through a far-reaching network of correspondents and its association with ABECOR* - the world's largest banking group with assets exceeding US \$ 200 billion - BiL provides services worldwide.

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Grand Duchy's New Tax Packet Grants Relief to Bankers

(Continued from Page 1) the strains inherent in the disproportionate activity of West German banks in Luxembourg indicate the weaknesses of the tiny country as a

financial center. The government's flexibility is further restricted by the fact that foreign banks have become increasingly important in the domestic economy, especially in the wake of problems in the steel industry. Luxembourg's traditional main-

in this direction. Balance-sheet vol-ume of Luxembourg banks was up roster of bank names of sufficient 23 percent last year, after a 15-percent growth the previous year. The market place in itself—a place number of banks rose to 94 follow—where many self-respecting internaing 10 new arrivals in 1977 (com-pared with just 37, at the beginning have a presence." of the decade and 15 in 1960).

Since the end of 1973, as the Euromarket itself has doubled its volnme, Luxembourg has increased its navian banker generously observed, share from 7 percent to over 11 per- "Most people know where to find cent. Its share of net lending (cred- Luxembourg on the map now."

its to non-banks) has grown to 25 percent from 16 percent in the same period.

And if the Americans have reduced their activity in Luxembourg. German banks have continued to expand, in numbers and in volume, while an increasing number of banks from Scandinavia and Italy are opening up shop in the Grand Duchy.

The American accounting firm Peat, Marwick & Mitchell summed Stay.

Still, the banking center has go about setting up a bank in Luxgrown and seems likely to continue
embourg: "In spite of certain dispresuge to make it attractive as a where many self-respecting interna-

On the Map

Or, as one newly arrived Scandi-

VEREINS-UND WESTBANK – Northern Germany's largest regional bank – HIGHLIGHTS

•7	9//	
	Bank	Group
Volume of Business	DM 8.288 billion	DM 9.664 billion
Total Assets	DM 7.341 billion	DM 8.705 billion
Total Deposits	DM 6.818 hillion	DM 8.103 billion
Volume of Credits	DM 5.142 billion	
Control and December	DM 714 million	

Capital and Reserves DM 314 million Dividend to Shareholders DM 9.- per each DM 50.ordinary share

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Luxembourg's location in the center of Europe is at once its major strength and weakness. Its central location, well-developed infrastructure, its ties to the European Economic Community and tradition of fine living in the European style certainly distinguish Luxembourg from the classic offshore center. And yet, like the traditional offshore center, its position as a financial place is not due to the strength of its economy but to its smallness and freedom from restrictive domestic regulation. But this freedom itself could eventually be restrained by banking regulation adopted on an EEC level.

A more immediate threat would be efforts from other European financial centers-- Amsterdam, Brussels, Paris, Frankfurt-to increase their international activities with favorable legislation, a move Luxembourg could provoke if it favors the banks too much. This is the gauntlet Luxembourg has to run.

"We must pay close attention to keeping the banking center attractive-especially from a fiscal point of view-in comparison to London, let alone the real tax havens." Finance Minister Jacques Poos said in an interview. "On the other hand, we must avoid possible retaliation or counter-measures against

Luxembourg from our neighbors." The importance of the banking sector in the Luxembourg economy has been well-publicized. The banks paid 4.7 billion Luxembourg francs (\$149 million) in taxes last year, almost three-fourths of all corporate taxes and 12 percent of the government's budget.

Exaggerated

But Luxembourg's finance minis- trial transition. ter feels the importance of the The corporate tax rate in Luxembanks has been exaggerated. "I bourg is 40 percent, plus a 15-perdon't agree with a press report that cent withholding tax on income this country lives exclusively from paid out as dividends. This makes the banks," Mr. Poos said. The the effective tax rate about 50 per-6,300 persons employed in the cent for many banks operating in banking industry make up just 4.5 Luxembourg—hardly the rate to percent of the work force, Mr. Poos justify the attribution of tax haven. noted. He added that even though employer and pays the wages that do with fiscal facilities. are then taxed. Private income tax-



Still, the government admits that the unforeseen growth of banking activity has done much to tide the economy over the period of indus-

As Mr. Poos remarked, "If Luxthe steel industry has not paid any embourg has developed as a financorporate taxes lately because of cial center, that's due to a whole set heavy losses, it is still the biggest of reasons which have nothing to

Even the proposed fiscal meaes brought the government 9.5 bil- sures to ease the tax burden are relion francs (\$300 million) in reve-nues last year. garded by some bankers here as "half-hearted." The most import-

Elimination of the stamp duty. for certificates of deposit (CDs) de-nominated in foreign currencies could foster a market in these

ant-the credit for foreign with-

holding taxes on interest incomehas lost some of its glitter through the fact that the credits will be giv-

en on a country-by-country basis.

Step by Step

hankers would have preferred the

concession to be granted on a larg-

er geographical scale, at least by

which has long been seen as neces-

ble-taxation accords (Austria, Bel-gium, France, West Germany, Ire-

land, the Netherlands, the United Kingdon and the United States) be-

cause the Grand Duchy does not

really have much to bargain with.

The rather complicated law now

some unilateral compensation, and

will certainly improve the profita-

hility and competitiveness of the Luxembourg banks in the Euro-

Credit business has gained in importance in Luxembourg in any case. Although the proportion fluc-

tuates, the amount of credit busi-

ness is nearing half of total volume,

and an increasing proportion of the credits managed in Luxmbourg are

credit market.

der consideration would bring

Luxembourg has only eight dou-

Mr. Poos conceded that many

hahker

business in Luxembourg.

Another measure of the five-

point program, to be implemented

by administrative order rather than by law, is the allowance of global

risk reserves even on secured cred-

its. The international banks have

lobbied long for this measure, which provides them with greater

flexibility in building tax-free reserves. Previously, global reserves were allowed only for unsecured

Other measures in the tax pack-

age are expected to further new

types of business. Removal of the

adds a new service for private cus-

tomers and is expected to boost in-

vestment management activity (al-though Banking Commissioner Pi-erre Janns cautions that

Luxembourg is not going to be-come a major gold center on the

CDs

Zurich or London models).

lue-added tax on gold trading

short-term instruments. The Swiss banks, which are money suppliers in the Luxembourg market, are known to be interested in developing the money market.

signed to encourage more issues brought the first international insecondary bond market. Although

straight medium and long-tern, lending rather than roll-over. One the Luxembourg exchange is the main bourse for listing Eurob estimated that roll-over there is not much trading in the credits, which are renewed every bonds here. (The establishment of Eurex, a computer-assisted trading system in bonds, is also expected to three or six months for a set period and represent the "classic" Eurocredit, make up half of the credit help this market.)

To compensate in part for revemues lost through these measures, the legislative proposal calls for boosting the annual subscription tax on holding companies to 0.20 percent of total assets from 0.16 percent. This sounds small, but this tax brought in about 500 million francs (\$16 million) last year, and the 25 percent boost will raise almost another 150 million francs.

Just how many of these new opportunities the banks will find worth exploiting remains to be seen, but the track record of Luxembourg banks so far indicates they will not pass up any worthwhile opportunities to expand their business and increase

their earnings.
Pierre Werner, long-time finance minister and premier and currently head of the main opposition party. feels that Luxembourg's future as a financial center is dependent on dynamism and flexibility of both the banks and the government authori-

He looks for an increasing diver-sification of operations. "We have to count on new developments." Mr. Werner said in an interview. "but the basic factors which have favored development remain-small country, stable political and social conditions, absence of strong governmental intervention."

Taking away the coupon tax for, it was precisely this set of quali-bonds issued in Luxembourg is deand perhaps indirectly support the terest in Luxembourg following the war. International bankers and

proached the Luxenthourg govern ment with a request to adapt if holding-company law, dating t 1929, for financing purposes, Th law was changed to allow lours a to ten times equity, so that man U.S. companies made financia transfers through Luxembourg fo their European operations. The holding-company law also we adapted so that investment func-

qualified for the tax immunities.
This was a prelude to Luxen bourg's development as a Euroma ket center. The liberal hydring con pany legislation, the lack of a cer-tral bank and the unregiments supervision offered a freedom i action attractive to banks, M Werner said. With the 1963 Interes Emulization Tax in the Unite States and the take-off of the Euri market, banks were looking fr places to conduct these operation

with a minimum of interference. In 1965. Luxembourg's reputtion as an international financi center gained further luster throug the EEC's designation of the Gear Duchy as its "financial capital."] compensate for the loss of the E ropean Coal and Steel Commusty's executive (through its merg with the EEC Commission) Lu embourg became the site for the European Investment Bank at other financial operations of the

community. In 1967, Dresdoer Bank begin the first of the German banks step across the border. A vertial flood followed as the Germi banks sought to escape the mid . mum reserve requirements imposiby the Bundesbank (and later circumvent the Bardepot, a penal imposed by the German gover

ment to inhibit foreign hanking.). From then on, Luxembourg grewith the Euromarket us it pass. through the critical phase of ow liquidity and unhealthy compeand through the crisis years 1973-1974 as the switch to floati exchange rates, the oil crisis at OPEC surpluses led to foreign to change speculation, bank failur (Herstatt) and a crisis of condence. The subsequent reorien tion of the Eurobanks with a mc. cautious approach to credits a foreign exchange re-stabilized a --\$215 billion at the end of 1974.

\$350 hillion at the end of 1977. "Sometimes economic reality stronger than theory," said A Werner, describing the development of the Euromarket in spite official worries. In Luxembou the pressure to develop as a cencame from the outside and the gr ernment responded cautiously a pragmatically, Mr. Werner recou

"Some kind of place like this necessary in each economic zone he remarked. "A strong finance system is one of the major symbiand realities of a small country.

The Grand Duchy's crossroa location, its tradition of many c rencies and languages and its woopenness aided its growth.

Finance Minister Poos concec there is still room for worry abo the-Euromarkets, "But we're not theless optimistic. This big disc sion about the possible collapse the Euromarket is in my opini depasse," he commented. Besid he continued, "national banks the big reserve countries; ha learned to live with the Euronian and to appreciate its usefulness a complementarity to the tradition banking system. There will be

new attack on the Euromari
from this quarter."

And as long as there is a Eu
market. Luxembourg will seek
be a home for banks engaged in
he said, "not as a tax haven in a
way it's usually meant, but as a nancial center equally worthy

London,"
Banking Commissioner Jai
makes it clear, however, that
pansion in Luxembourg will not
at any cost. "There will be no a
cession in terms of supervisio
Mr. Jaans said. "This can't be a
sidered an issue of competiti sidered an issue of competiti ness." In fact, government offici and bankers here are convinthat Luxembourg's informal but fective supervision has been a r
jor factor in the country's succ

as a Eurocenter. As to pressures from fellow E members. Luxembourg has sho it is willing to stand its grot when its interests are at stake. I government has resisted press from Belgium—which was c cerned about the large number private Belgian investors who k bonds on deposit in Luxembou presumably to evade Belgian tes—by pointing out that at least money stays in the Belgo-Lux bourg Economic Union. And it resisted pressure from Germa concerning the operations of C man bank subsidiaries here.

Premier Guston Thorn ma clear in an interview elsewhere this report that Luxembourg has intention of sacrificing its fu policies as long as there is no ex numity wide harmonization of

Plerre Werner, at 64 still an tive politician and a likely op nent to Mr. Thorn in next ye elections, puts the matter th "We are not opposed to harmon tion of taxes—so long as it whinder the international find

-Eurobanking-

Bayemlux, trading name of Bayerische Landesbank International S.A., is one of the leading addresses in Eurobanking in Luxembaurg.

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International Banking with Bavarian Drive and Friendliness

UXEMBOURG (IHT)— There were 94 banks estabzones. But the government wants to take it step by step because the effect on lost tax revenue is difficult lished in Luxembourg by the end of 1977, four of which to calculate ahead of time. Despite their disappointment, though, the are currently inactive. hankers welcome the measure,

Bankers in the Duchy

According to the Banking Commissariat's Trimestrial Bulletin published in March, these banks had a balance-sheet vol-ume totaling 2,115 billion Lux-embourg francs (\$67 billion), of which 1,783 billion francs (\$56.6 billion) represented foreign ex-

Not counting fixed assets or equity, 82.2 percent (1,719 billion francs) of the balance-sheet volume on the active side represented dealings with customers residing outside Luxembourg. Non-residents accounted for 79.3 percent of the liabilities.

Funds employed in the Euro-market (on the active side) were the equivalent of \$43.8 billion, or about 11.5 percent of total Euromarket assets as reported

by the Bank for International Settlements. On the passive side, the total was \$41.8 billion, 44.7 percent of which represented U.S. dollars; 46.5 percent, deutsche marks; 5.2 percent, Swiss francs: 0.6 percent, pound sterling; I percent, Dutch guilders; 1.7 percent, French francs (leaving 0.3 percent for other Banks and other credit insti-

tutions employed 6,308 persons at the end of December, of whom 1,826 (28.9 percent) were foreigners. Branch hanks, engaged primarily in domestic business, accounted for 3,203 of the total, including 331 (10.3 percent) foreigners. Banks en-gaged strictly in Euromarket business employed 1,203 per-sons, of whom 689 (57.2 percent) were foreign. "Mixed" banks, active in both domestic and international arenas, em-ployed 1,902 persons, including 806 (42.4 percent) foreigners.



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European Investment Bank Expands Its Lending Activity IXEMBOURG [IHT]-The to further fortify Luxembourg's

f confidence in the institution response to the institution's ly growing responsibilities. inded in conjunction with the

sean Economic Community provisions of the Treaty of to ubviate expected regional inuctural problems. EIB has ded its lending activities from aginal community of Six to inmore than 75 countries. over, it administers developaid and special projects for mmunities and has been des-d to administer any funds wed directly by the EEC

intergovernmental agreement 55 designated Luxembourg as EC's linancial center, and the tion of EIB from Brussels in was the main signal. Even h the bank's operations are etely separate from the Euroerations in the Grand EIB is seen as something of hip for the financial center. 1965 agreement and the ree from Luxembourg. The key est. department for Credit and

decision of European govern-decision of European govern-ment heads last month to recend the doubling of the sub-ad capital for the European In-gent Bank was just one more proceeding with plans for a new building on the Kirchberg Plateau with the rest of the EEC complex. Growth

The physical expansion reflects the growth of EIB's activity. New lending last year totaled 1.57 billion units of account (UA) (\$1.88 hillion), up 23.5 percent from the previous year, compared with 200 million UA when EIB first came to Luxembourg. From its founding up to the end of 1977, the institution has provided 8.506 billion UA in financing 87 percent of it to EEC member states. The doubling of subscribed capital to 7 billion UA (\$8.4 billion) will enable the bank to carry up to 17 billion UA (\$20 billion) in outstanding loans and guarantees [25 percent]. The bank was designated to provide supplementary financing in industrially underdeveloped areas, which, as the writers of the Treaty of Rome thought, might be even more disadvantageous through the competi-tion of the Common Market, Further, the bank was to ease structurm of EIB was a compensa al adjustments necessitated by the removal of the Europe-creation of the EEC and help

al and Steel Community ex- finance projects of common inter-EIB to help spur lagging econo-While EIB still concentrates on

While EIB still concentrates on the regional impact of projects, its role has shifted

somewhat. The change of emphasis comes from the fact that we have two main

problems...Business trends are sluggish and this leads to sluggishness in private

role has shifted somewhat. "The change of emphasis comes from the fact that we have two main problems." Yves Le Portz president of EIB's management committee, said in an interview, "Business trends are sluggish and this leads to particularly in industry. Second. member countries are reluctant to launch public investment projects because of balance of payments problems." Early last year, the Eu-ropean Council expressly asked

investment, particularly in industry. Second, member countries are reluctant to

launch public investment projects because of balance of payments problems.

426.2 million UA (\$511 million), almost half of it to the steel industry.

As part of its industry lending, EIB boosted its global loans—credits to European energy supplies and to

national intermediary bodies for foster autonomous sources of eneron-lending to small and medium-sized industry—by 50 percent to said.

Since 1963, EIB has provided fi-

nancing for projects outside the EEC, in the Mediterranean basin and the 53 countries in Africa, the

projects. Of the total 1.4 billion

nancing operations in 1977 under the convention totaled 84.1 million UA (\$101 million). These loans are provided from ElB's own resources, but often carry interest subsidies financed by EEC hudgetary funds.

Refinance

The concept of EIC is to refinance its lending through borrowing on the basis of the subscribed capital, and to cover its borrowing costs through its interest charges.

It is here, of course, that EIB does have a good deal to do with the Euromarket, because much of its refinancing is raised in international capital markets.

Through 1977, E1B raised 6.1 bil-lion UA (\$7.3 billion) in the bond gy projects. Of the total 1.4 billion UA (\$1.7 billion) new financing in the community, 19 percent went for projects in the nuclear-energy field markets. The stepped-up lending in 1977 meant a big increase in hor-rowing as well. EIB last year raised 1.161 billion UA [\$1.4 billion] in public and private issues, up from 749 million UA (\$899 million) the previous year.

borrowing. Recent issues included: • \$30 million (8,25 percent 10vear) in the Asian dollar market:

• 150 million DM (6 percent 12-

• 25 million pounds (9.75 per-cent 10-years) in the Eurosterling

 \$200 million in the Eurodollar capital market [split into 10 and 15year issues).

Borrowing

But this borrowing activity in itsoft does not require being in Lux-embourg. In fact, while noting the central location, good infrastruc-ture and pleasant life afforded by Luxembourg, Mr. Le Portz points out that there is nu particular financial benefit to the bank. "We could just as well be in one of the other countries." he commented.

But E1B is not likely to move because Luxembourg likes to hang on to its European institutions.

Schönech

Prům

And so lending to industry in-ereased 43 percent last year, to ment, however, remains here the regional impact of projects, its arex Brings Automated Trade

outinued from Page 1) 203 new issues were listed, in-184 international bonds. rom 229 the previous year

probonds). than 1.100 Eurobonds isted on the Luxembourg exby the end of 1977, an esti-70-75 percent of all public ond issues-excepting he-mark and Swiss-franc which are listed on domestic iges. Eurobonds accounted percent of the issues listed Luxembourg bourse, while er only 89, or 6.7 percent of

127 listed issues. rity for Eurobond listing are and fees are low. Most bank- support a full-scale exchange. ensider it useful to list the despite the fact that little is done on the exchange,

Luxembourg's popularity for Eurobond listing are simple listing here is quick, cheap and easy.

was conceived in 1927 and finally -including foreign shares- opened in 1929, hardly a propitious year to open a stock exchange. Depression, war and reconstruction reasons for Luxembourg's kept the Luxembourg exchange from developing its international bisting here is quick cheap aspirations prior to 1960, and the asy. The paperwork can be capital needs of the Luxembourg in two weeks, there are no ecnnomy are scarcely sufficient to

Investment Funds

An unusual teature of the Luxembourg exchange is the listing and including those based outside the trading of investment-fund certificates for hourse's development as a cates. At the end of 1977, there sale in Luxembourg, are required to cond exchange unintentional were 73 funds listed on the report to the Banking Commissarifilled the wishes of its foun-exchange.

at The Commissariat's latest report in establish an international Investment funds in general have lists 24 foreign funds active in Lux-

ties exchange. The bourse had a roller coaster history in the embourg.

The reasons for Grand Duchy since the holding company law was widened at the beginning of the 1960s to include the management companies of inestment funds. The funds gree from 1965 to a peak in 1972, and have declined steadily since the IOS scandal. In 1972, 95 Luxembourg funds had assets of 112 billion francs, (\$3.5 billion). This compares with 24 funds and assets of 22.6 billion francs (\$17 million) in 1967, the first year for which figures are available.

> By the end of 1977, the number of funds based in Luxembourg had dwindled to 82, with assets of 83.7 billion francs (\$2.66 billion). There has been a net decline in certificate transactions in the period as well. Whereas in 1971, the funds recorded ner sales of 2.5 billion francs (\$79 million), net placement in 1977 was a negative 277 million francs (\$8.8 million).

Since 1972, all investment funds, at. The Commissariat's latest report Mr. Le Portz naied that financ-ing for projects of common interest ing to member states went to ener-Caribbean and Pacific which Like other supranational lending Grand-Halleux Vielsalm Saint-Vith Mannay Lierneux Schwarzer Maun A ique-dechâteau raiture Steinebrück e de A 3 652 Beho. :ne-Cherain ienne: Nadrim **Pronsfeld** Wemperhard Waxweiler Arzfeld Dasburg ongvilly lösingen Vianden

Your international bankers in Luxembourg

at 31 March 1978 she do not but

Total assets Liabilities

арргох Lux Frs 221 bn (US \$7.1 bп) approx Lux Frs 209 bn (US \$6 7 bn)

Capital and

equivalent funds approx Lux Frs 12 bn (US \$0.4 bn)

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all types of wholesale banking business in international financial markets

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- Dresdner Bank International -

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bank providing comprehensive commercial and investment banking services to prime corporate customers, public authorities and banks, and it serves as central bank for a system encompassing 5,000 local banks, ten regional banks and a num-

ber of specialized institutions in the Federal Republic of Germany. At year-end, 1977, DG BANK commanded consolidated assets of DM 43,590 million (the equivalent of U\$ \$ 20,708 million), and for the banking group it heads the total was DM 240,000 million (US \$114,000 million).

DG BANK INTERNATIONAL Societé Anonyme.

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Banking Supervision Is Pragmatic, Flexible—and Tough

of the most stringent controls oo banks in Luxembourg is often overlooked. That is the difficulty of

The requirements on paper, as so often with bank supervisioo in the

UXEMBOURG (IHT)—One Grand Ducby, are just the begin-of the most stringent controls ning. Still, the requirement of 250 cent of which must be paid in) and banks is already enough to

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tions and specific client needs, we

manage or participate in selective

international loans arranged either on

a lixed-interest basis or as a roll-over

credit facility for borrowers requiring

a llexible choice of currencies or ma-

Complementing our diversified Euro-

credit capabilities in Luxembourg, we

are also active in money market and

discourage any amateur attempts. Beyond that, any bank proposing million Luxembourg francs (\$7.9 to set up office in Luxembourg million) for initial capital (60 per-needs to sit down and have a long to set up office in Luxembourg conversation with the banking sponsorship of two Luxembourg commissioner about what its intentions are. These conversations in-

clude a relatively comprehensive examination of the background of the bank and the personnel who will be involved in the Luxembourg operation. There is no banking fi cense as such, but (one of those unwritten rules) the commissione traditionally has the last word in deciding whether the banking institution is given the required commercial license.

We have never considered al-

lowing 'brass plate' banking," said Pierre Jaans, Luxembourg's banking commissioner. "It's not good for the reputation of the country or the European Economic Commun ty—or good for Luxembourg from the business point of view."

The Grand Duchy wants banks

that are serious about doing business, Mr. Jaans said. "We are a bit anzious to keep the list of banks limited to names that are well

Some Rejection

The Commissariat has rejected some applications, but most undesirable ones are headed off before formal application.

"Pragmatic" and "flexible" are the two words most commonly used to describe banking supervision in Luxembourg, both by the supervisors and the supervised. But, both sides are quick to add this relatively unregimented control does not indicate laxity, and the word "tough" occurs almost as frequently as the other two in discus-

"They do it in a nice way-but they mean business." commented one foreign banker who recently arrived. "If you're a little overdue with the monthly report, the phone will ring and somebody will politey tell you the forms were due two

days ago, please get them in."
The philosophy of banking supervision in the Grand Duchy is fairly well articulated in the review of the commissariat's operations. published on its 30th anniversary in 1975: "The commissioner's great responsibilities have without any doubt been gradually adapted to the necessities due to the development of Luxembourg as a financial center to meet the requirements of the protection of national and international savings and to guarantee a harmonious operating of financial markets. The answer to



these objectives has always been es- formal" an approach and needed qualifications include a 10-year sentially pragmatic, leaving all possible freedom to private initiative. but strictly enforced all necessary controls in accordance with the ofessional sector.

Economic Magistrature

Established in 1945 as a normal supervisory agency, the Commis-sariat has expanded its powers and duties to become what is sometimes called an "economic magistrature." A 1965 law significantly widened the agency's control over banks, granting it for the first time the power to set solvency and liquidity ratios. This type of outhority, akin to that of a central bank, was deemed necessary because some newcomers from abroad took "too

more rules on paper.

But this did not change the basically personal approach of supervision. Mr. Jaans emphasized. "We talk to the banks and try to find reasonable arrangements on a purely voluntary basis.

He cited the recent informal agreement to include the general manager of the Luxembourg operadon on the unit's supervisory board; often the board consisted of just top executives from the parent bank. Linked to this is the gradual adjustment of fiscal years to coincide with the fiscal year of the parent bank. "These small steps will help us to have fewer problems in credibility," he said. Mr. Jaans, 42, has held the post

since the beginning of last year. His

Jaans said, "but any questions ! can answer with lightes, so

Luxembourg officials (and b ers themselves) proodly call at tion to the fact that creditors o Herstatt unit here were reimbo in full. Domestic creditors of Cologne parent bank, whose collapse due to foreign exch the international banking sys

The Hersiatt collapse has a national authorities, particul the Germans, nervous about national activity of the banks. things have changed quite ft. mentally since then," Mr. I said. "Dealers then weren't su the way the market moves. I members, who often had no for exchange experience, were hilk their dealers." No more, said Jams, noting that everyone is more sophisticated about to exchange trading including supervisory authorities. " exchange losses still occur. bu ways in proportion to a y

—Banking **Fast Action**

When rumors spread at the of the year that Dresdner Bank its Luxembourg unit had suf heavy losses in the Forex mi. Mr. Jaans acted fast in cooper with the German banking an ties in Berlin to check it out.

You can't ignore rumors that," he said. "I felt from the that they were unjustified beca-had been watching foreign change positions very closely, examination of Dresdner B books in Frankfurt and Lie bourg showed everything in on "Much of the supervision here

Mr. Jaans said he normally reports on foreign exchange tions once a month. The mor tive banks submit reports on day basis. "Here again, it's much a matter of pericontact, he said. There's an tude of positive collaboration."

As in the case of squeichir Dresdner Bank rumor, Mr. sees no difficulty in coope

(Continued on next page)

HYPOBANK INTERNATIONAL S.A.

toreign exchange dealing, as well as

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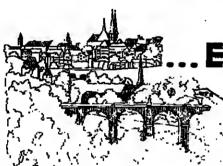
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Over the past five years, we have consistently strengthened our market position. Total assets in 1977 reached Lfrs. 41 billion as compared with Lfrs. 32 billion in 1976, Lfrs. 29 billion in 1975. Lfrs. 17.6 billion in 1974, and Lfrs. 15.6 billion in 1973. Capital and reserves exceed Lfrs. 1.3 billion.

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'Much of the

supervision

consists of

informal

communication.

Commissioner

Pierre Jaans.

stint at Deutsche Bundesbank in

Frankfort, and he has already es-

tablished a reputation for intelli-

ing community.

gence and competence in the bank-

Informal Communication

consists of informal communica-

tion. This enables us to give a more

basic orientation and simplifies the actual supervision," Mr. Jaans said.

of formal supervision in the form

of monthly reports from the banks

and even more comprehensive

quarterly reports. The Commissari-

et has the right to examine the

books of the banks themselves

"We don't have the statistical ap-

But he also noted the existence

1977 was another record year for Nikko, with operating income and net income after taxes being ¥48,856 million (US\$184.05 million) and ¥24,211 million (US\$91.21 million) respectively. Net income per share

increased to ¥30.03, despite the prolonged economic recession in Japan and abroad.

The financial position of Nikko, a leading investment

strengthened, and operating efficiency Improved. As shown in the following statement, stockholders' equity. The most important base for Nikko's future growth, increased 18% over last year to ¥138,294 million (US\$520.98 million).

banking firm in Japan was further

Annual dividend has been increased by ¥1.00 to ¥6.00 per share.

Statement of Income

Very ended September 30

tear ended Sebtemor		
	Y	en in Millions
	1977	1978
Revenue		
Commissions	¥91,620	¥80,390
Interest and dividend income	14.943	13,280
Profit on sale of securities	18.983	13,159
Gross revenue	125,548	106.829
	.20,010	.00,000
Operating Expenses		
	٠.	_
Selling, general and administrative expenses	74.071	63.271
	- •	3.266
Interest expenses	2,619	
Gross operating expenses .	76,690	66,537
Operating income	48,858	40,292
Non-operating income (expenses)	542(253)	477(192)
	40 407	40.577
income before extraordinary items	49,127	40,577
Extraordinary gains (losses)	734	(5.672)
Extraordinary gams (109969)	. /54	(5,012)
Net income before income taxes	49,861	34,905
HET HISSHIE SCIAIC HISSHIP MAGO		21,000
Provisions for income taxes	25,650	17,750
		-
Net Income	24,211	17,155
	•	

Balance Sheet Data

		· · · · · · · · · · · · · · · · · · ·	·/
_	As of September	r 30	14-III-aa
<u>s</u>		1977	n in Millions 1976
-	*****	11977	13/0
_	Assets		
0	Current Assets		
0.	Cash on hand and		V00 000
9	in banks	¥39,177	¥39,388
9	Short-term loans	25,025	44,151
	Secunties owned	61,977	38,418
	Securities held as collateral	100,106	74,979
	Other current essets	122,532	84,905
į	Total current assets	348,817	281,841
1 .	Fixed Assets	44,272	41,441
ĵ	Total Assets	339,069	323,282
7	·		
ļ	Liabilities & Stockholders' Equity		
2	Liabilities		
•	Current liabilities	232,209 '	182,867
)	 Long-term liebilities 	13,131	12,368
' . ;	Reserves	9,455	10,877
,	Total tiabilitiee	254,795	206,112
' I	Stockholders' Equity	234,;00	2001
,	Common etock	40,313	36,648
'	Capital surplus	10.340	14.005
,	Eemed surplus	63,430	49,362
, !	Other stockholders' equity	•	17,155
, !		24,211	
,	Totel stockholders' equity	138,294	117,170
	Total liebilities end		

stockholders' equity

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Overseas Representative Offices: Zurich, Paris, Beirut Overseas Subsidiaries: The Nikko Securities Co., (Europe) Ltd.: Lundon The Nikko Securities Co., Deutschland) GmbH: Frankfurt am



"...It Is Done in a Nice Way—But They Mean Business."

Continued from preceding page with German supervisory authorities in special instances, given the danger that things are going wrong

Banking Secrecy

But the Luxembourg banking bout the question of jurisdiction in routine supervision of banking mits here. "We have our law and a irrong tradition of banking secreexembourg banks can be given out in any reasonable aggregate, he said, but not to the extent of indi-

vidual accounts. Regarding the much-publicized ssions of concern in Germany about the foreign activities of German banks, Mr. Jaans pointed out that some of the discussion had become confused.

"The general aspect of the parent

bank supplying information about its subsidiaries is a German prob-lem that needs to be solved there." Mr. Jaans said. Some people thought that it would depend on the Luxembourg Banking Commissioner. The discussion was on the wrong rail—I helped get it started in the right direction." And so representatives from the German (par-ent) banks are carrying on discus-sions with the Federal Supervisory Office for Credit Institutes (in Berlin), the Finance Ministry and the Buodesbank about achieving greater transparency in the banks international operations.

-Banking

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COMMENT OF STREET

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ce Sheet Data

Certain Cooperation

Luxembourg Finance Minister thorities in Berlin and the Luxemborg Banking Commissariat had agreed to a "certain cooperation" which would allow the German agency to get "global figures" on the German subsidiary's operations but through the parent bank tions, but through the parent bank,

"Io my opinion, the fears that are sometimes expressed in German circles—that the risk in Luxembourg is greater than in Germaoy and that eventually these risky In my opinion, the danger doesn't exist," Mr. Poos said.

"The controls in Luxembourg-

'The controls in Luxembourg... are very effective. They have kept us from

any great

_ financial

scandal.

–Finance Minister Jacques Poos

erating on a more cooperative more likely they are from certain missariat and served for more than basis—nonetheless are very effectionaries or administrative 20 years as Luxembourg's finance

by neighboriog countries. based not so much as elsewhere on against Luxembourg, but these



legal texts and regulations, but op- aren't at such a high political level; bill establishing the Banking Comoperations will involve the parent tive. They have kept us until now organs," the finance minister said. minister, cited the flexibility of the bank in problems—are unfounded. from any great financial scandal." "On the political side, our relationable supervision as its strength, "It has ships—both with Belgium and Gerto be very flexible," he said. "Nothmany—have greatly improved in ing is definite or settled. Over the "You read attacks here and there recent years, especially this year." ecent years, especially this year."

Years, the place has shown its flexihility."

The 1965 law unughening supervision is given as an example of Luxembourg's adaptive ability. The law introduced the two main structural regulations governing Luxembourg today—the solvency and li-quidity ratios. The solvency ratio specifies that "own resources" (paid-in capital, equity reserves, general contingency reserves, un-distributed profits and, to a certain extent, subordinated loans) should consultate 3 percent of aggregate li-abilities (excluding fiduciary ac-counts and contigent accounts). The liquidity ratio requires current assets to remain at 30 percent of liabilities. (A third ratio, that own resources must cover fixed assets. does not constitute a significant limitation for Eurobanks.)

Adaptive Ability

The solvency ratio especially accounts for the dizzying capital boosts routinely reported for Lux-embourg bank subsidiaries, particularly German, as the parent bank fuels the unit's expansion.

Mr. Jaans said that the current aggregate solvency ratio is 3.8 per-cent, above the minimum. Morever, the accounting to determine the ratios is conservative, he said.

"I have no big concerns," said Mr. Jaans when asked about the situation of Luxembourg banks. Pressed, he conceded that the lowering of margins on Eurocredits is "something which is annoying."

"It affects profitability," Jaans said. This brings a concentration of business, because bigger banks seek to expand their earning capacity by landing the management fee and then margins go lower. "There's not much room left for risk in the margins," he said.

Euromarket Growth

Growth of the Euromarket will depend on the domestic monetary policy of the countries whose currencies are iovolved and the business policy of the banks, Mr. Jaans said-but that did not really concern him. "The less business, the less source of potential trouble," he remarked with irony.

The expansion in Luxembourg has been in line with that of the

noted. He expected, however, that new arrivals would taper off. New banks this year probably would number four or five. Last year they numbered 10.

"There won't be many more German banks coming here," he said, noting that most of the big ones were already in Luxembourg and the small banks don't really need to come here

Mr. Jaans added that most of t new banks are coming from Sca dinavia and Italy. There's n much point for British banks come here," he said, "but the pos bility is not entirely excluded."

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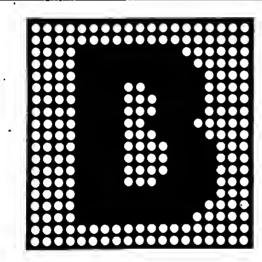
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West Germans Are Dominant Among Foreign Banks

UXEMBOURG (IHT)—When thorities about the activity of Gernervous foreign exchange and man banks in the neighboring distribution at the many statement of the control of the gold markets produced a rumor at the turn of the year that the Dresdner Bank group had suffered large losses in its trading activities, the hank moved very fast to ca-tegorically deny the speculation.

It also took the unusual step of getting an explicit certification from supervisory authorities in Germany and Luxembourg that its money and gold dealings were in order and profitable.

"We were so sensitive because rumors of this type are generally reliable." Valker Burghagen, one of the two managing directors of Dresdner Bank's Luxembourg unit. said in an interview.

That the rumor gained any cur-rency at all reflected the market's nervnusness in the midst of the dol-lar crisis. That it so quickly focused on Luxembourg goes back to the growing concern of German au-

The reason for the worry is that these operations have gotten to be

so big.

Dresdner Bank reported last month that its Luxembourg unit. Cie. Luxembourgeoise de la Dresdner Bank AG-Dresdner Bank International (CLB), had a balance-sheet volume equivalent to 14.8 billion marks (\$7.2 billion) at the close of its fiscal year. March

This represents almost 24 percent of the parent bank's assets (62 billion marks). It makes CLB the largest bank in Luxembourg with assets of about 230 Luxembourg francs-compared to about 100 billion francs for Caisse d'Epargne de l'Etat, the largest of the domestie

Twice as Big

Dresdner Bank's Luxembourg unit thus is twice as big-in terms of balance-sheet volume—as Ber-liner Handels- und Frankfurter Bank (BHF-Bank), a not insignifi-cant Frankfurt Bank, BHF-Bank International, in turn, reported as-sets at the end of 1977 of 36.8 bil-lion francs (2.4 billion marks), or a good third of the parent bank's balance sheet, which totaled 7 hillion marks at the end of 1977. (It should he noted that BHF-Bank holds 86 percent of the Luxembourg unit as of Jan. 1, 1978, against 60 percent

The growth of the German banking units to these dimensions was not quite overnight—but almost, CLB's fiscal 1978 volume is more than 80 times that reported at the close of the first business year on March 31, 1968. More illustrative. it is more than twice the balancesheet volume reported at the end of fiscal 1975.

For sheer competitive reasons, large German banks have found it practically imperative to set up shop in Luxembourg. Five new German-bank subsidiaries were estahlished in the Grand Duehy last year, and there has been an official npening of husiness for new German units almost every other

mnnth this year. In March, DG Bank International started up operations. Detlef R. Baumert, managing director of the new bank, explained that DG Bank Deutsche Genossenschaftsbank, the central bank for Germany's thick net of cooperative banks, felt "underrepresented" in the Luxembourg center. Its participation had the joint venture to 10 percent and start its own Luxembourg opera-tion (BHF-Bank likewise has a 10percent share in DG Bank Interna-

'Europalette'

"We simply needed to be able to offer a full 'Europalette' to the medium-sized corporate customers

For sheer competitive reasons, large German banks have found it

practically imperative to set up shop in Luxembourg. Five new Ger-

man bank subsidiaries were established in the Grand Duchy last

year, and there has been an official opening of business for new

German units almost every other month this year.

of cooperative banking sector in Germany, "Mr. Baumert said. One of the major "Euroservices"

offered by the German banks is deutsche-mark credits as much as a half-point cheaper than those available domestically. The lack of minimum reserve requirements in the Grand Duchy gives the banking units here more money to lend out, and makes the rates correspondingly lower, at least as long as liquidity is high. It has been high in the past few months, and one German banker estimated that one-third of the credit volume for German units here represented lending to corporate customers at home.

Of course, the Luxembourg unit is for DG Bank an important component of its international expansion. Mr. Baumert said the concentration would be in medium and long-term credit activity, especially

consortium credits. The DG Bank unit is the 22nd German banking subsidiary established in Luxembourg, and the 92nd bank overall. It was preceded in January by Landesbank Rhein-land-Pfalz und Saar-International S.A., a venture owned 75 percent hy the central savings institution in the Rhineland Platinate and 25 percent by the Landesbank Saar, These two Landesbanks, like the Badische Kommunale Landesbank-Girozentrale last year, followed the example of the giant Landeshanks, Westdeutsche (WestLB) and Bayerische (BayLaBa) in making available to regional savings bank customers the benefits of international monetary afforded in Luxembourg.

German Eurocenter

Luxembourg is rightly known as the German Eurocenter. The Gerbeen confined to a 36-percent share man hank subsidiaries account for in the BHF-Bank unit (called BHF- more than 50 percent of the interwas announced last year that DG Luxembourg as a Eurocenter at all hank would reduce its holding in results from German initiative. results from German initiative.

Dresdner Bank was the first on the scene. It opened the Compagnie Luxembourgeoise de Banque on July 3, 1967. The name alone indicates just how tentative was this first gingerly step abroad.
"We didn't know what our recep-

tion would be among the older gen-eration here," said CLB's Mr. Burghagen, commenting on the absence of any trace of the unit's ownership in its name. We figured on everything-only nothing

Mr. Burghagen said all of the Big Three German banks were contemplating the move abroad—the demanding times of the postwar reconstruction were past, the growing economic weight of West Germany and its currency provided a certain outward push, and the new-born Euromarket was giving hints of its

But the first move was very cautious. "Luxembourg was seen not as the place with the best chances." but the place with the least risk," remarked Mr. Burghagen.

Luxembourg was cheaper than London and there was no language barrier (although French is the offi-cial language of the Grand Duchy, the workeday spoken language is a dialect of German). Also, its proximity to Frankfurt made it easy for the head office to keep a close watch on operations.
"London would have been not

only costly, but spectacular," calls Ulrich Damm, managing director of Commerzbank International, "One chuld very easily pull out of Luxembourg,'

Suspicion

The Euromarket was regarded with a good deal of suspicion by German hankers then, Assignment to the young Luxembourg subsidiaries was regarded in some circles as tantamount in banishment. "I was asked how it felt to be put into cold storage," reminisces one longterm German hanker here. "It was thought that the banks here would he run hy the head office, that the competence of directors here would be extremely limited." But this attitude took into ac-

count neither the aggressive initiative of the Luxembourg directors nor the rapid growth of the Euromarket and with it Luxembourg operations. Luxembourg quickly became a highly lucrative profit center and this gave the local man-ager greater weight. The wholesale nature of the money market and credit husiness in Luxembourg makes it possible to operate with a relatively small staff-50-70 among the larger banks, but more normally just 20 or fewer.

"It was one of the best and most profitable decisions Dresdner Bank ever made," commented CLB's Mr. Burghagen. With high liquidity and slack corporate demand for funds at home. German banks have received an increasing portion of their earnings from international husiness—exceeding one-third at the Big Three banks—and the Luxembourg operation has become the higgest source of foreign earnings

for most of them.

Just how each bank goes about making all this money varies acunit plays in the expanded global operations of the hig German banks.

Syndication Unit

"In the first years, we did everything in Luxembourg," explained Ekkehard Storck, managing direc-tur of Cie. Financiere de la Deutsche Bank AG (CFDB). "Now we have a policy of doing international commercial business in the countries themselves. Luxembourg has become the syndication unitspecializing in medium and longterm loans.

Data from the Dresdner Bank unit CLB, on the other hand, indicates a heavier engagement in interest arbitrage, although Mr. Burghagen said the possibilities for interest arbitrage lessened considerably in the second half of alendar 1977.-

Hans-Peter Saettele, director of WestLB International, said the Luxembourg unit of Westdeutsche Landeshank tends more toward credit business. The report for fis-cal 1977 (ending Sept. 30) shows about two-third of total assets as credits. Commerzbank International (end-1976) reported credit volume equal to about half of assets. Hans-Juergen Schneller, director of Bayerische Landesbank Interna- and the Lutembourg unit of Badtional (Bayernlux), breaks down the husiness of the Bavarian bank unit as 40 percent credit, 40 percent money market, and 10-15 percent

securities and gold trading. The heads of the German banksubsidiaries make it clear that the units are more than "booking centers"-to use American banking jargon for offshore centers. "The contacts often are made in the head by the bank here," commented one on Luxembourg's "road in enunci German banker. Also, he added, a number of Eurocredits, sometimes reaching 200 million marks, are syndicated wholly in Luxembourg and never publicized.

A Truism

It is, of course, a truism to say that the German activity in Luxembourg makes it the Euro-DM cen-ter. But German bankers counter that the mark has never dominated the Luxembourg market to the exnormally presumed. The deutsche mark proportion of activity has never exceeded 50 percent, and has been on the decline since

According to the statistics can piled by the Luxembourg Banking Commissarist, drutsche marks accounted for 47.2 percent of Ether market activity in the trimeser ending December 1975, compand with 43.6 percent for the U.S. di-lar. The dollar share increased a 45.1 percent by September 199 surpussing the mark share, while slipped to 44.9 percent, (In December 1977, though, the mark vis back up to 46.5 percent and te dollar down to 44.7 percent.)

One banker points out that Geman banks increased their busines abroad in this period, and so in creased their activities in dollarsthus the trend in Luxembourg despite the growing value and impos-tance of the mark.

Mr Storck of Deutsche Bank und CFDB concedes that competitive for the German banks in Luxembourg is weak, especially as the American banks have cut down their Luxembourg activities in the past few years.
"This is much to our regret,"

comments Mr. Storck. The dollar component should be stronger. There's too much reliance on the cutsche mark."

New Ideas

And so the Germans have wel-comed newcomers from uther nations, like the Swiss and the Scandinavians. "Each new bank brings new ideas, new currencies and new possibilities, commented one German banker. .

Other foreign bankers appreciate the openness of the Luxembourg hanking center, but there is no get ting around the dominance of the Germans and very little likelihood that that will change, they say,

By virtue of their size and expertise, the German units are likely to be in the forefront exploiting the possibilities opened up by the proposed revisions in Luxem-bourg taxes. Meanwhile, the German units have already been quite innovative.

Last month; for instance, CFDB ische Kommunale Landesbank in managed a Euromark credit for the t Bulgarian foreign trade bank. For the first time the variable interest rate was pegged to the Luxembourg Interbank Offering Rate instead of the traditional tie to the six-month quote of the London Interbank Offering Rate (LIBOR). The new mechanism was dubbed Luxibor and hailed hy the Frankfurter pation" as a Eurocenter.

Last year, both the Dresdner Bank and Deutsche Bank units secured some long-term refinancing by offering debentures linked to the equity of the parent bank. CLB raised 395 million marks through a six-year bond offered on a rights basis to Dresdner Bank shareholders and convertible to Dresdner Bank shares. CFDB raised \$125 million through a bond earrying warrants for the purchase of Deutsche Bank shares. Just last month, CFDB went to rap the Euromark capital market again, in a more traditional manner, with a 200 million-mark note offering



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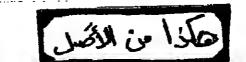
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Financial Highlights as per September 30, 1977

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in million US \$ Balance Sheet Total 2.439 Loans and advances to customers -: Advances to non-banking finance establishments Securities Amounts due to banks Current deposits and other accounts Share capital fully paid Reserves after allocation of profit Profit





W. German Banks Walking a Supervisory Tightrope

RANKFURT (IHT)—German banks and supervisory authorities are expected to come to a "gentleman's agreement" soon on the best way to make the international activity of the banks more

The talks underway now were preceded by a public discussion most often centered on German bank activity in Luxembourg. which represents the main concentration of German bank activity outside the country and for most German hanks the main interna-Oonal engagement. Still, German authorities are quick to emphasize that the concern extends well beyond Luxembourg and embraces all of German bank activity

The public discussion has been further confused because the question of bank supervision has been muxed up with the conflicts between domestic monetary policy and the Euromarket. The Eurodeutsche mark activities in neighboring Luxembourg can create problems for the German central hank in its efforts to control money supply and direct interest rates.

Claus Kohler, a director at the Bundesbank in Frankfurt, emphasizes that the two issues are disfinct. "We have always supported free flow of capital, and we will keep to that." Mr. Kohler said in an interview. "It has made it in-creasingly difficult to implement national monetary policy, but that's the price we pay conscious-ly," he added, reiterating a point he made in the Bundesbank's monthly report for March.

Shared Problems

else again. Mr. Kohler noted that this is a problem German authorittes share with other countries in face of the rapid expansion of internacional markets.

The question is, how can bank analysis match this expansion?" he said. That question is agitating the minds of experts in the Bundesbank and at the Finance Ministry in Bonn. The government has made evade restrictions of the German (to unknown destinations) is clear

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tion of bank supervision has been mixed up with the conflicts between

domestic monetary policy and the Euromarket. The Eurodeutsche aled and sometimes musleading. A report in the Frankfurter

mark activities in neighboring Luxembourg can create problems for

the German central bank in its efforts to control money supply and

direct interest rates.

banking law in Gerntany will incredit volume to a multiple of clude some provision for keeping equity, track of the banks' international

ngagements.

But the revision will not come in this legislative period (through 1980), and so the talks for an interim solution on an informal basis. The participants clam up, though, about the actual content of the

Both Mr. Kohler and Manfred Lahnstein, state secretary in the federal Finance Ministry, declined to comment on the exact substance of the talks, Inge Lore Bahre, presi-dent of the Federal Supervisory Office for Credit Institutes in Berlin, declines interviews on the sub-

F. Wilhelm Christians, one of two chief executives at Deutsche Bank and president of the Federal Association of German Banks, said the supervisory authorities are seeking information on the loans

The worry of German authorities it clear that any revision of the Credit Law (KWG), which limits from the 11 billion-mark (\$5.4 bil-

Evading Regulations

The husiness volume of (the foreign) hanking subsidiaries has grown so much recently that the profitability and creditworthiness of the parent bank is noticeably affected," wrote Mr. Kohler last January in Zeitschrift für das Gesamte Kreditwesen. The concern here is that these legally au-tonomous foreign subsidiaries do not have to hold to the norms of the KWG (credit law)...The temp tation is great for German credit institutes with foreign subsidiaries to transfer a part of their credit business abroad and so evade the

regulations of the KWG. Mr. Kohler notes in the same article that the balance-sheet volume of German banking subsidiaries in Luxemhourg has come to represent individual banks have outstanding in the international market—their amounts, the borrowers and the maturities—to get a total picture of desbank March report notes that the bank's exposure, whether direct or through a foreign subsidiary.

since the beginning of 1975, due to slack credit demand at home, foreign long-term claims (credits) of is that the banks transfer much of this loan husiness to foreign subsid-marks (\$26.8 billion). That much of raries (primarily Luxembourg) to this flows through the Euromarket

tion) in claims to Belgium-Luxenihourg. Great Britain (London) and Switzerland (Zurich)-the three main Euro-ceniers

What worries the banks is not so much the request for information in itself ("We have nothing to hide," comments the general mana-ger of a (arge German subsidiar) in Luxembourg), but the possible types of controls that might follow disclosure. The question is a thorny one, and touches the fundamentals of bank supervision.

Everyone's Problem

"It's a problem for everyone." the Bundesbank's Mr. Köhler said. "We don't want to reach into other countries. A final solution can only come in cooperation with other important countries, but it is in the interests of authorities everywhere and the credit institutes themselves." Mr. Kohler mentioned the planned harmonization of banking law in the EEC in this

In the meantime, though the Berlin supervisory authorities will press for greater transparency. "We need the minimum of information about German banking activities outside the country," State Secre-

to socialize the losses.

The government official is quick to downplay any tension or misun-derstanding between Bonn and Luxembourg, though, "In reality there's no tension," Mr. Lahnstein ligemeine Zeitung last October. Aligemente Zettung fast October, for instance, speculating that Luxembourg's proposals to ease taxes on the banks would make the Grand Duchy attractive for private foreign investors, aroused some confusion in Bonn, Hans Apel, who was at that time Finance Minister. asked the European Commission to investigate the proposed measures to ascertain they were in accor-dance with EEC ireaties.

Confident

"We are quite confident about Luxembourg legislation," Mr. Lahnstein said: referring to the general provision for bank supervision. "They are provided with a very good legislation." While declining to comment on the "pending discussion" concerning greater transparency of German banking units in Luxembourg, Mr. Lannstein said the Berlin agency is "perfeetly aware that its authority is limited to German territory

As to the monetary side of German bank engagement in the Euromarket—the internationalization of the deutsche mark-Mr. Lahnstein commented. "The current propor-tion (of the DM in the Euromarket) is no problem. But you can't establish a ratio between economic cupacity and currency role with any great precision." He added that it would be impossible to establish a theoretical limit-the development just requires constant attention,

The two key things to watch, Mr. Lahnstein said, "are the creditgenerating capacities—including he international activities-and the pattern of currencies used in external payments.

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Foreign Banks: Europeans Stepping Up

(Continued from Page 1) represented by the growth of bank-

Whatever is good for Luxemhours is good for us." said Rene Puttemans, managing director of Banque de Paris et des Pays-Bas pour le Grand-Duche de Luxemhourg. "The new arrivals strengthen Luxembourg as a financial center. Besides, most bring in their own customers.

Mr. Patternans noted that it was the Belgian and French hanks which got the hall rolling in Luxembourg, and the arrival afterwards of the Germans added to the momentum.

But the balance sheet of Paribas Luxembourg, which was established in 1964, indicates the difference between the banking groups before and after the establishment of the Euromarket. The Paribas Luxembourg unit does the whole gamut of retail and wholesale banking, in contrast to the exclusively wholesale activities of most Eurobanks. Almost half of its balance sheet volume (20 billion Luxembourg francs—\$635 million—at the end of 1970) is held in Belgian-Luxem-bourg francs and the rest in foreign currency. Paribas, in fact, is to all intents and purposes as much a Belgian hank as a French bank. and the Luxembourg subsidiary is "domestic" as Banque

While most of the German banks who would

come to Luxembourg are already here, the

banking community hopes for more out of the

Scandinavian countries. Austrian banks also

might eventually come here. Unlikely as it

seems, there is still a faint hope that a British

or Dutch bank might open up here.

Generale or Kredierbank Luxembourgeoise.

Luxembourg are not really senous about Euromarket operations here Like most of the Americans, they are either maintaining a presence

or fulfilling some special function. Yuji Watanabe, managing director of the Industrial Bank of Japan tLuxembourg) S.A., pointed out that IBJ's Luxembourg unit is a subsidiary of the Industriebank von

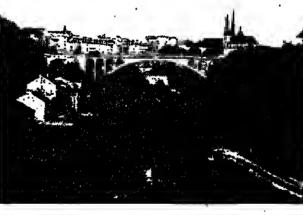
Japan (Deutschland) AG in Frank-

up in 1972, at the time of capital restrictions in Germany, INJ Luxembourg has a relatively small halance sheet (4.5 hillion Luxembourg francs-\$142 million). Other foreign hankers note that the Japanese have not played a very significant role in Euromarket activities here.

And so the disappointment about the disengagement of the Americans and the hopes awak-ened by the Swiss and Scandinavian activities. While most of the German banks who would come to Luxemhourg are already here, the hanking community hopes for more out of the Scandinavian countries. Austrian banks also might eventually come here. Unlikely as ti seems, there is still a faint bope that a British or Dutch bank might open

A foomote perhaps is the pres-ence of several London money brokerage firms in Luxembourg. Mar-shalls hecame the fourth of the London firms to set up here, bringing the total number of brokerage firms to eight or nine. "We act purely as intermediaries between banks," explained Peter Davies, director of Marshalls (Luxembourg) S.A., contrasting the role of a bro-ker with that of a bank. Bankers like LBS's Mr. Kobel say the moneybrokers play a significant role in keeping the Luxembourg.

Some sound reasons to talk in Luxembourg.



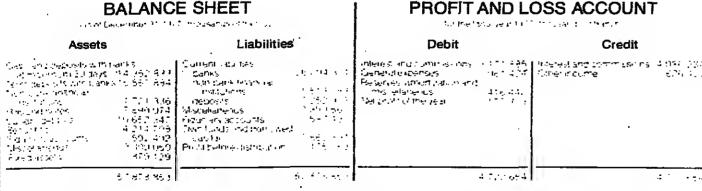
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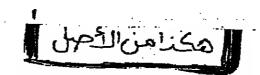
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London Is Competitive in the Battle for Eurobanking

T ONDON (IHT)—Ever since of the Eurocurrency market, two financial centers in particular have been feverously vying for the hon's share of the new international banking business. Luxembourg and London have each fought aggressively to win foreign customers. To this day, the battle rages on, al-though the grounds may be shift-

Luxembourg was, of course, a prime international venue. Central-ly located, bordered by West Ger-many. France and Belgium, the Grand Duchy afforded easy access to continental bankers. West Ger-man and Belgian bankers, especial-ly, found Luxembourg an attractive spot because its generous tax laws and flexible corporate licensing reg-ulations facilitated the establish-ment of banking subsidaries. As the Euromarket grew, so did Luxem-

bourg's banking roster.

Smaller U.S. banks, hoping to cash in on the lucrative Euromarket and seeking the accompanying at Luxembourg and London as po-lential locations. Most large U.S. hanks already had branches in London. But for smaller banks the congested and expensive City of London posed problems. Finding suitable office space at a reasonable price was a major obstacle—the pound was a very expensive currency back in the 1960s, in contrast to its plunge in 1975-76. Also, the cost of fiving in London was high in this inflation-prone country. Finally, London offices required a high level of manning. Regional U.S. hanks, therefore, left London to their targer brothers and opted instead for the conveniences of the Grand Duchy of Luxembourg.

Relatively Cheap

"Luxembourg was years ago a relatively cheap way to get into the Eurodollar market—cheaper than London," says Roger Sherman, senior resident officier in Europe for Continental Bank.

Regional U.S. banks found it possible to open operations in Lux-embourg, with generally only a ... The sterling's nose dive in 1975-76 put the City of London on a

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handful of people who handled mil-lions of dollars in foreign exchange. is linked with the buoyant deutsche Eurobonds and portfolio manage-mark in the European joint currenment. Fees from currency exchanges, income from loan syndi-cations and sales to customers. security-holding fees and management charges were highly lucrative. Income per employee including off-ice costs was indeed very high in Luxembourg in comparison with international standards.

As the years went by, the importance of the Euromarket grew. It started in 1963 when U.S. authorities imposed the interest equalization tax and thus effectively stopped many foreigners from tapping the New York capital market. This led to the invention of the Eurobond and eventually to a \$500billion pool of capital held outside the United States. However, as the Euromarket grew, some U.S. banks found that they were outgrowing the small Grand Duchy.

In January, for instance, Wells Fargo Bank announced that it was shifting much of the foreign ex-change and money-market activi-ties of its Luxembourg branch to its London offices to cut costs, Wells Furgo, based in San Francisco, established its Luxembourg branch in 1969 as its first major venture in Europe, as well as the first branch of a L.S. bank in the Grand

The Decision

Wells Fargo said it moved "slow-ly and gradually" towards its deci-sion to consolidate its foreign exchange, deposit trading and com-munications. "Our objective in con-solidating such activities for Europe is to improve the coordinated support of all of Wells Fargo's facilities at the lowest effective cost. The relative cost of employee compensation was a determining factor between Luxembourg and London," said E. Alan Holroyde, senior vice president and head of the European division of Wells Far-

The main reason for shrinking Luxembourg operations. U.S. bankers in London explain, is the rising salary costs, which include legislated increases due to indexing, plus merit increases and things like the 13th month's extra pay each

"The past cost benefit of Luxembourg has been offset." Mr. Sher-man of Cantinental Bank says. The biggest problem is the exchange rate.

The dollar's decline against the Luxembourg frame has contributed to bankers' decisions to withdraw from the Grand Duchy. While bank costs in Luxembourg are paid in francs, much of the revenues are in dollars, reflecting banking activi-ty in the Eurodollar market. Last

is linked with the buoyant deutsche mark in the European joint curren-ey float, or "snake," rose about 9 percent against the dollar. Thus, banks, particularly U.S. banks, in Luxembourg have faced a cost squeeze due to the dollar's exten-

'Thin' Market

Currency problems are further compounded by Luxembourg's split-currency market. Like Belgi-um, the Grand Duehy has a market for foreign exchange for commer-cial transactions supported by customs documents for items like steel. This market is kept stable within the snake by periodic central bank intervention. However, the second tier—the financial foreign exchange market—gets no such assistance from the monetary authorities. And dealers complain that this market that they are forced to deal in is "thin" and can impose further difficulties in international dealings.

One other problem that banks face in Luxembourg, insiders say, is staffing. The size of the country—with about 350,000 inhabitants, of which about one-quarter are foreigners-means the pool of potential employees is tiny. Therefore, concerns are virtually forced to im-port people—a costly action that entails the further problems of personal adjustment.

"It's not just costs. It's life style as well" which presents itself as a problem in running a Luxembourg subsidiary, Mr. Sherman of Conti-nental remarked, "It's difficult to get anyhody to go live there" and the available supply of local bank-ing talent in limited, he said.

Nose Dive

Meanwhile, the sterling's nose ve in 1975-76 put the City of London on a more competitive international footing. And Britain began to draw more and more international banking business, not only from U.S. banks but also from West German institutions.

"I see no optimistic reason for an American bank wanting to be in Luxembourg," said one banker from a major U.S. concern with interests in both London and Luxem-

For regional U.S. banks, Luxembourg holds no advantages over London," notes Mr. Sherman of Continental. "I don't think it will ever tose its usefulness to other banks in Belgium and Germany because of its tax advantages. But it isn't a real challenger to most fi-nancial centers—namely a place where things get done."

A Wells Fargo spokesman said that its consolidation plans represented "not so much a moving away from Luxembourg but a development in London."

Another Branch

Bankers explain that London's growing role as an international center is making its activities boom as a financing center—the more banks that open in London, the more new banks that are attracted. "If you're in Europe, you've got to be in London," one banker com-

Weils Fargo, for example, has had a wholly-owned merchantbanking subsidiary in London since 1972. But it was not until last October that the Californian bank decided to open another branch, devoted to foreign exchange and deposit trading.

Improvements in communications—one item mentioned by Wells Fargo-have meant that banks in the Euromarket can consolidate their operations into one center, doing away with the need for a costly network of branches across Europe. With foreign exchange and deposit trading primarily transacted by telephone and wire contact. Wells Fargo said that its move from Luxembourg should have "little effect" on customer

London, bankers here argue, does not present the same kind of problems that Luxembourg often does in terms of finding trained staff easily, relocating employees from the United States and offering a lifestyle to which U.S. employees have become accustomed,

Still, bankers with interests in Luxembourg are not despairing. As one banker put it: European banks are still moving into Luxenhourg. But it really depends on the structure of the parent company as to what they want to do, Luxembourg has its weaknesses and its strengths. Still to some-mainly European banks-there is a large tax advantage to he gained from es-tahlishing in Luxembourg."

Deutsche Marks

Partly because of this, the Grand Duchy has specialized in the Euromarket for deutsche marks. The West German authorities further facilitated Luxembourg's involvement in dealing in external deutsche-mark funds by cracking down on capital inflows. They implemented a 25-percent tax on nonresident holdings in mark-denomi-nated bonds, effectively encouraging a capital market in foreign holdings of deutsche marks. Moreover, years of high liquidity and strict Bundesbank controls have seen West German institutions search elsewhere for places to uti-

"Luxembourg had some particular advantages," Mr. Sherman of Continental said. "It will always have postbox holding companies. But if it weren't for German banks, they wouldn't have been put into that big league.

lize their resources.

Until now, Luxembourg has been their first choice, with about 20 West German banks operating. in the country. But bankers in London said they perceive something of a shift in that approach. Of late, several large West German banking institutions have decided to set up shop in London. "Significantly," remarked Mr.

Sherman, "German banks are, opening branches in London for the first time. That tells you more about the direction for Luxembourg" than the development of new "offshore" centers like the

London experts say that West German banks are overcoming the language problem—one reason

they gave for Luxembourg's strong attraction to German concerns was the common in German concerns was the common language. In addition, transportation poses less of an inconvenience than it used to, they say. In fact, sometimes a trip from West Germany to Luxembourg can take longer than a flight from Frankfurt to Lundon.

Keen Demand

The strength of the deutsche-mark, perticularly over the course of the past turbulent year on the foreign-exchange market, has made a keen demand for DM-denominata keen demand for DM-denominated paper. Eurobond experts think that demand of this kind will continue to rise in the future, which will probably give Luxembourg a built-in advantage in the race with London for Eurobond business. However, insiders here do not discount the machillies that I am the machillies and the paper of the machillies and the paper of the machillies are the machillies and the paper of the machillies are the count the possibility that London, with the help of West German units here, may expand into the Euro-deutsche-mark field as time goes

Even if Enrobend trading in the deutsche mark grows, however, London and U.S. bankers say they do not expect to be able to expand their own share of the market in Luxembourg. In fact, Britain's ma-jor clearing banks—Barclays, Lloyds, Midland and National Westminster-do not even have westmaster—do not even have subsidiary companies in the Grand Duchy. Any upsurge in Euro-deutsche-mark business is likely to benefit mostly the German banks there. "Poorly efficient U.S. banks there been best out by the German banks are been best out by the German banks." have been beaten out by the Germans in the Deutsche-mark boom," one observer bluntly remarked.

One area with which both Luxembourg and London have faced sharp competition recently has been the Bahamas. Truly "offshore" banking operations— sometimes consisting of only one clerk to record transactions-are being set up there mainly to cater to U.S. investors, It, too, has flexi-ble banking rules and affords Americans a much-desired "tax

The Bahamas

Luxembourg really isn't in com-petition with U.S. banks, because they go to the Bahamas, The Bahamas is becoming more of a compet-itor with London. Loans are being booked now in the Bahamas that might in past years have gone to London, one hanker noted.

"Luxembourg," Continental's
Mr. Sherman said, "probably offers
as many tax advantages as the
Bahamas and other places. The
question is really one of cost and

The Bahamas, it was also pointed out deals mainly in Eurodollars—thus setting itself up in direct competition with the established market in London, as opposed to

Luxembourg. One area in which Luxembourg may have a bright future is port-folio management, experts forecast. Portfolio management entails the handling of private foreign accounts often with discretionary powers, to invest in securities—generally in an attempt at tax avoi-

"Luxembourg's secrecy laws and drie practices-and it may he more practice than law make it very much like Switzerland, and portfolio management becomes casy," one banker explained. Nonetbeless, many London

bankers said they expect Luxem-bourg's role in the market to slowly shrink. "f suspect," said Mr. Sher-man of Continental, "some regional U.S. banks will probably continue to leave either for London or to go back home." Part of the reason, he noted, is the likelihood that the dollar will persist in being weak against the deutsche mark and the Luxembourg franc, which will mean continuing high costs for subsidiaries functioning there.

Besides, Mr. Sherman added "London has too many advantages for Luxembourg to compete on an equal footing. There is very little advantage of going to Luxem-

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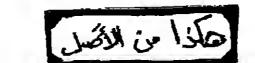
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